

Breaking the Old Taboo About the Pope's Health Already, Talk Is of Papal Succession

By Alan Cowell
New York Times Service

ROME — The old aphorism at the Vatican used to be something like: The Pope is alive until he is dead.

It meant, simply, that whatever the state of his mortality, the Pope could not be seen to be enfeebled or otherwise impaired from performing the spiritual and physical duties of his office.

In recent days, something has changed. "For many years, papal illnesses were taboo," said Giancarlo Zizola, an Italian writer who specializes in covering the Vatican. "And there still exists one of the most constant beliefs of the Vatican, according to which the Pope enjoys the best possible health until the moment before he dies."

But these days, he said, the question "How is the Pope?" is quickly followed by another: "Who could be elected?"

The talk, that is to say, has turned to the succession and to what Mr. Zizola described as "the pre-electoral climate that has set in among the highest ecclesiastical hierarchy."

Indecate and possibly premature though it may seem, the Curia — the Vatican bureaucracy — is maneuvering for a new papal era.

Thus, the announcement on Thursday that, for reasons of ill-health, Pope John Paul II is postponing a visit next month to New York, Newark, and Baltimore, has assumed far broader significance. Not only did the Vatican undermine its own

insistence on papal robustness, but it was also unable to prevent a remarkable shift in perceptions.

At the start of Karol Wojtyla's papacy 16 years ago, said Domenico Del Rio, a former priest who writes widely about the

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Vatican, the Pope brandished the pontifical cross around the world "like a pilgrim's staff."

"Now he leans on the same cross for support as he walks," he said.

Within the ever-conspiratorial walls of the Vatican, moreover, according to officials who spoke in return for anonymity, the perception of ill-health has crystallized questions that are not asked in public.

Will the Italians reassert their hold on the papacy broken with the election of the Polish Pope in 1978? Will the cardinals who elect a new Pope choose a successor from the Third World, where the Roman Catholic Church is most vibrant; could there, this time, be history's first African pontiff?

The questions do not tally with what the Pope's aides and physicians say about his health. According to his spokesman, Joaquin Navarro-Valls, the only reason the Pope postponed next month's trip to the United States was to complete his convalescence after breaking his leg last April.

The U.S. tour Oct. 20-23 would have

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LANGUAGE OF SOLDIERS — An encounter between a Zairian and a Japanese soldier Friday at Goma airport in Zaire, where Japanese troops arrived to begin a UN-sponsored peacekeeping role on the Rwanda border. Page 8.

North Korea Won't Budge On Inspection Of Atom Sites

Pyongyang Angers U.S.
By New Demand for
A \$2 Billion Payment

GENEVA — American and North Korean officials ended a first day of talks on Pyongyang's nuclear program on Friday, overshadowed by a firm message from North Korea that it would not allow inspections of two suspect atomic sites.

North Korea also preempted a resolution at the annual conference of the International Atomic Energy Agency in Vienna, which called for full access to all nuclear information and locations, including the two suspect plants.

The United States said this week it would address the issue of inspections during the Geneva talks, but Pyongyang signaled that pressure for international checks could wreck an overall agreement.

The chief U.S. negotiator, Robert L. Gallucci, held four hours of talks with the North Korean delegation leader, Kang Sok Ju, at the U.S. mission in Geneva.

Both sides said they wanted to make progress toward settling the nuclear issue. But a North Korean Foreign Ministry spokesman warned Friday that Pyongyang would not yield to pressure to open up the two plants, which it describes as military sites.

The spokesman, quoted by the official Korean Central News Agency, said that "the dishonest forces created difficulties in the provision" on light-water reactors, by insisting on special inspections, North Korea "would not feel the need to freeze its independent graphite-moderated reactor program."

Several unexpected new demands by North Korea for Western cash and German or Russian nuclear technology have puzzled U.S. officials and dampened hopes for a speedy accord in Geneva.

The new demands include a request that Washington arrange for a payment of \$2 billion in cash, ostensibly as compensation for North Korea's abandoning the development of its graphite-moderated reactor, which produce plutonium that can be used for nuclear weapons, in favor of light-water reactors, which produce little plutonium.

Washington has demanded that North Korea scrap its reactors, arguing that they are solely meant to make plutonium for nuclear arms. North Korea agreed last month that it would do so if Washington arranged for the construction of two light-water reactors, and helped arrange interim energy supplies.

But it had not previously sought \$2 billion in cash, in addition to being furnished with the two light-water reactor valued at \$4 billion.

North Korea also has demanded that these reactors be constructed by Germany or Russia, not principally by South Korea as Washington has proposed. U.S. officials say this stance will greatly complicate efforts to organize the construction of reactors, partly because neither Germany nor Russia is willing to provide the bulk of the financing.

Mr. Gallucci has called the new North Korean demands "ludicrous."

The International Atomic Energy Agency, meanwhile, said it believed the buildings in North Korea were nuclear waste dumps and could hold the answer whether North Korea has produced at least an unspecified amount of weapons-grade plutonium.

Delegates to the agency's annual conference voted, 76 to 1, with 10 abstentions, to urge the North to allow inspections of

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Grim Scene at Hospital Illustrates the Depth of Haiti's Desperation

By William Booth
Washington Post Service

CAP-HAÏTIEN, Haiti — The U.S. military's campaign to win the hearts and minds of Haiti began when Marines overwhelmed the old general hospital here with truckloads of free medical supplies.

But the hospital offered a disturbing glimpse of how great the needs are in Haiti.

The open-air wards were lined with dirty, moldy mattresses; the stockrooms were almost bare. Although the U.S.-led embargo had allowed the shipment of medicine, economics had not. Many importers could not be bothered while it was more lucrative to smuggle gas, generators and Heineken beer.

Fritz Volmer, an orthopedic surgeon on the staff, said the public hospital had months ago resorted to rationing even bandages.

In the women's ward, Yolande Fleurimond, 57, lay under a mosquito net, small as a child and thin as a bird, her limbs swaddled in yellowing gauze, the bright red and white blisters of burned skin covering almost half of her body.

Navy Lieutenant Chuck Miller, a physician, said the woman probably had had no better than a 5 percent chance of survival before the medical supplies arrived. She was burned when the black-market gasoline she sold at the market caught fire.

"They were doing the best they could for her, but they were only able to change her bandages once every three days," Lieutenant Miller said. "And they didn't have the intravenous penicillin to fight her infections." He estimated that with the supplies provided by the military, the woman's chances of survival rose to 75 percent.

Marine commanders in Cap-Haïtien said their immediate concern now was the behavior of the Haitian military toward the people. As Lieutenant Miller and the Marines unloaded supplies, an old woman who had been hit with a rifle butt by a Haitian soldier appeared in the courtyard, her left eye covered with bandages.

"There's just been too much pushing and shoving and reports that they're going out at night and really thumping on the populace," said Marine Lieutenant Colonel Steve Hartley, the commander of the U.S. troops in Cap-Haïtien. "Our task now is to get this

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U.S. Lawmakers Agree to Limit Lobbyists' Pull

By Katharine Q. Seelye
New York Times Service

WASHINGTON — For the first time in nearly 50 years, Senate and House negotiators have agreed on a major overhaul of lobbying on Capitol Hill, banning lobbyists from paying for everything from lavish resort vacations for members of Congress to the lowly, but ubiquitous, fruit basket.

At the same time, however, Republicans in the Senate are trying to block another piece of legislation aimed at making changes in campaign financing. This bill would allow partial public financing of congressional elections and limit the amount spent by candidates.

The two actions come in the waning days of the 103d Congress in an election year when lawmakers are nearly in a panic over how they are perceived by the public.

Congress wants to look as if it is taking a tough stance against receiving money or lavish gifts from lobbyists, whom the public perceives as the scourge of representative democracy. But at the same time, some members of Congress are reluctant to restrict how their own campaigns are paid for.

The agreement would ban lobbyists from giving any gift to a member of Congress or to a staff aide, including payment for travel expenses, tickets to sports and entertainment events, and such presents as bottles of wine and fruit baskets. Moreover, it includes a ban on all meals — a provision that has prompted some to predict the decline of Washington's flourishing restaurant industry.

The only gifts permitted would be campaign contributions, attendance at political events and refreshments worth less than \$20.

The agreement covers all lobbyists: law-

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PLAGUE — Indians waiting Friday at a train station to flee the pneumonic plague in Surat, India. The fever has left at least 100 people dead. Page 8.

Bosnian Morass Takes Toll On British General's Goals

By Roger Cohen
New York Times Service

SARAJEVO, Bosnia-Herzegovina — Eight months ago an unusually charismatic British general arrived in this city vowing to open the roads, restore basic utilities and bring at least a semblance of normal life back to Sarajevo.

Today, shelling of Sarajevo has virtually stopped and, even the day after a NATO air strike, gunfire is rare. But the roads out of Sarajevo are sealed, the electricity, water and gas have been cut for nine days, the trams are no longer running and weary people are lining up again at the river to fill containers with water.

Meanwhile, Lieutenant General Sir Michael Rose, the commander of United Nations forces in Bosnia, is in London.

Officially, he is there on a routine visit. But senior UN officials said privately that a sharp conflict had emerged over whether General Rose should serve his full one-year term. Already, a replacement is being eyed: Major General Rupert Smith, who commanded the British division in the Gulf War, where he forged close ties with U.S. officers.

General Rose's relationship with U.S. officials and NATO has become increasingly tense as the situation in Sarajevo and Bosnia has deteriorated over the last month. NATO is eager to use air strikes against Bosnian Serbian guns, but General Rose believes such actions can easily prove counterproductive. NATO and UN officials said.

Ian Lawrence, a spokesman for the British Defense Ministry, said, "I cannot confirm or deny that General Rose will be leaving, but his time is nearly up." Colonel Tim Spicer, a spokesman for General Rose in Sarajevo, denied that General Rose might leave Sarajevo before his term ends next Jan. 24.

The fate of General Rose, a charismatic 54-year-old former commander of the distinguished unconventional warfare unit of the British Army, the Special Air Service, has mirrored that of Bosnia this year.

He arrived in January and seemed to personally hope as Serbian guns around Sarajevo were pushed back in February, only to succumb gradually to the Bosnian morass that had exhausted his predecessors.

In February, as a NATO ultimatum silenced the Serbian artillery that had terrorized civilians for almost two years, General

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Italy's Loan Sharks, Enriched With Aid of Banks, Face Crackdown

By John Tagliabue
New York Times Service

TURIN — Carlo Troncone, 44, an ex-convict, was arrested at the Porta Susa train station this summer after he was denounced for usury. At the time of his arrest, Mr. Troncone was pocketing cash in lire worth the equivalent of \$31,000 from Giorgio Ballestrazzi, who owns the newsstand at the station and had earlier borrowed \$19,000 from Mr. Troncone at 15 percent a month interest, a bargain at current market rates.

Belatedly, Italians have discovered that a banking system too sclerotic to serve the needs of merchants and small businesses has created a vacuum imaginatively filled by tens of thousands of free-lance lenders. And so, one by one, Italian cities are cracking down on a vast network of loan sharks.

It is a last-gasp attempt to rid the country of an illegal industry that boomed in the recession, when merchants and small businesses craved capital the banks could not — some say would not — supply. But it is also an effort to halt the flow of money from drugs and other illegal sources into the legitimate economy.

In Bergamo, eight people were arrested recently for organizing a money-lending business asking annual interest rates of 300 to 500 percent, after one borrower hanged himself when he could not meet payments.

The police in Ravenna arrested Giuseppe Occhipinti and seven associates and charged them with usury. Their company, called Much Money, had revenues of \$1.2 million a year.

In Naples, the local merchants' association, lamenting that "the situation has become unbearable, the sharks are devouring us," set up a toll-free hot line for people in the clutches of lenders. In the first hours, it was swamped by calls.

This month, the government of Prime Minister Silvio Berlusconi, the tycoon-turned-politician who was elected in March promising to fix the lamentable state of Italian financial services, proposed a tough-

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Dow Jones	Trib Index
Down 5.38	Up 0.30%
3831.75	115.49
The Dollar	Fr. franc
New York	1.5488
DM	1.5485
Pound	1.577
Yen	97.83
FF	5.2835

Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 60 L. Fr
Antilles.....11.20 FF	Morocco.....12 Dh
Comoros.....1.40 CFA	Qatar.....8.00 Riels
Egypt.....E.P. 5000	Réunion.....11.20 FF
France.....9.00 FF	Saudi Arabia.....9.00 R.
Gabon.....960 CFA	Senegal.....960 CFA
Greece.....300 Dr.	Spain.....200 PTAS
Ireland.....2,000 Lire	Tunisia.....1,000 Din
Ivory Coast.....1,120 CFA	Turkey.....T.L. 35,000
Jordan.....1 JD	U.A.E.....8.50 Dirh
Lebanon.....US\$ 1.50	U.S. Mil. (Eur.) \$1.10

Getting Lost on the I-Way to the Future

By Steve Lohr
New York Times Service

PHOENIX — At a gathering here of leading computer and telecommunications executives, AT&T showed a video the company shot recently on the streets of Manhattan.

The video crew had asked passersby a single question: "Where can I find the on-ramp to the information highway?"

"Take a left on Houston Street, and keep going straight," one man replied.

"Gee, I'm not sure," a woman said. "I've been there a million times, but I can't remember. Ask Reynaldo, the doorman."

Confusion about the information highway — a term as evocative as it is vague — extends far beyond the sidewalks of New York.

When the AT&T video was shown here earlier this week, it brought chuckles and nods of recognition from the audience at Agenda, an annual conference attended by a few hundred of the senior executives from the high-tech industries of personal computers, software, telecommunications and on-line computer services.

They, too, are wandering in search of the on-ramp to the information highway, believing it will be the path to their companies' future growth.

Yet, beyond a belief in the importance of the information highway, there was little agreement here about the timing, course and business opportunities ahead.

The information highway is a catch phrase for an evolution that will unfold over the next decade or so, as the technologies of the computer, telephone and television converge.

Many people expect to be able to tap a few buttons on a high-speed, high-capacity information conduit in their homes to order and receive everything from Hollywood movies to books from the Library of Congress.

That, at least, is the vision of the information highway that

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Kiosk

Gaza Police Seal 11 Tunnels to Egypt

RAFAH, Gaza Strip (AP) — Palestinian police sealed 11 tunnels between the Gaza Strip and Egypt that had been used to smuggle weapons and drugs as well as PLO activists on the run.

The Palestinian police commander, Major General Nasr Yousef, said Friday

that the police had discovered drugs and had broken up the smugglers' network. "We are using an iron fist against all those who pose a threat to our security," he said.

Palestinian activists constructed the tunnels as escape routes to Egypt during the six-year uprising against Israeli occupation. Some tunnels stretched several hundred yards, from the center of Rafah across the border into Egypt.

Major Yousef said Egyptian officials were alerted to the discovery, and added, "Our people don't need these tunnels anymore."

Most countries in Europe will put their clocks back an hour during the night of Saturday to Sunday, ending official summer time. Britain will revert to Greenwich Mean Time on Oct. 23, and daylight time in the United States and Canada ends a week later.

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Conservatives Ride High Into Bavaria's Election

MUNICH — Bavaria's governing Christian Social Union is expected to win the election Sunday for state lawmakers, after riding out a series of scandals.

The vote in Bavaria, Germany's wealthiest state, is being watched closely because it is the last major poll before federal elections Oct. 16.

Only last winter, political commentators were predicting that the unbroken 37-year reign of the conservative Christian Socialists — the Bavarian branch of Chancellor Helmut Kohl's Christian Democrats — was over.

Several corruption scandals, and the death in 1988 of the party head, Franz Josef Strauss, unleashed internal battles that threatened party unity. Two key officials, including Premier Max Streibl, were forced to resign in less than a year, and the party slumped in opinion polls.

But the tide turned in June with the European elections. The Christian Socialists won nearly 50 percent, crushing the main opposition Social Democratic Party, which took 23.7 percent.

The latest opinion poll by the Basic Research Institute predicts a clear 52 percent Christian Socialist victory Sunday.

Premier Edmund Stoiber, whose party clean-up campaign is credited with restoring the Christian Socialists' image, says the success is due to Bavaria's "economic miracle."

Several thousand supporters of the Christian Socialists, the party of federal Finance Minister Theo Waigel, turned out here Thursday for a final rally to hear Mr. Stoiber extol the region's assets.

"Of all Germany's states, Bavaria is the richest," he said, noting that its 6.8 percent unemployment rate is well below the 9.1 federal average.

In the countryside, the party benefits from active support of the influential Catholic clergy and draws on German symbols, holding rallies under traditional "beer tents" while folk orchestras play German tunes. Few there seemed bothered by party scandals.

Among critics of the Christian Socialists, Christian Magerl of the Green party said Bavaria was "run like

certain South American states where corruption is part of the system and where many people feel a president unable to make a personal profit won't be able to do anything for us either."

The Christian Socialist Party is the sole exclusively state party that plays a role in Bonn, as a partner in the ruling coalition.

Bavaria's 8.7 million voters will choose from 15 parties Sunday.

In the 1990 state elections, the Christian Socialists won 127 seats in the assembly, the Social Democrats 58, the Greens 12 and the Free Democrats 7.

The Social Democrats are expected to win 29 percent Sunday.

Another key party, the Free Democrats of Foreign Minister Klaus Kinkel, has only 3 percent support in polls, lower than the 5 percent needed to remain in the state parliament.

The extreme-right Republicans, which failed to enter the body in 1990, are expected to slip in this time, with 5 percent support in polls.

4 Charged With Arson At German Synagogue

Compiled by Our Staff From Dispatches

BONN — Federal prosecutors said Friday that they had charged four youths with arson and attempted murder in the firebombing of a synagogue in the north German port city of Lübeck.

The attack, on March 25, marked the first time a Jewish house of worship had been set on fire since the Nazi years. Five tenants asleep in apartments in the building escaped unharmed.

The four suspects carried out the attack "out of hate against foreigners and Jews," the Federal Prosecutor's Office in Karlsruhe said. It said the suspects, who were arrested May 2, were Stefan-Marcus Westphal, 25; Dirk Bruberg, 22; Niko Traipel, 20, and Boris Holland-Moritz, 20.

All were charged Thursday with arson and five counts of attempted murder, the prosecutors said.

The young men, the prosecutors said, went to the synagogue on St. Annen Street at about 2:15 A.M. Two or three of the accused walked onto an open porch of the synagogue, emptied inflammable liquid from a bottle, and then threw a firebomb to the floor, the prosecutors said.

Flames spread quickly, but the five tenants were unharmed because neighbors heard glass breaking and woke them up, the statement said.

In a related development, the Bundestag passed a bill Friday that threatens five-year jail terms for denying the existence of the Holocaust. It will become law Dec. 1. The bill also bans signs that even resemble Nazi symbols.

(AP, Reuters)

WORLD BRIEFS

U.S. Allows Sinn Fein Chief a 2d Visit

WASHINGTON (AP) — The Clinton administration on Friday approved another visit by Gerry Adams, head of the Irish Republican Army's political arm, Sinn Fein, on the heels of talks by rival factions in Northern Ireland.

The approval came a day before Mr. Adams is to arrive in Boston, the State Department said. Mr. Adams last visited the United States in January, which required a landmark decision by President Bill Clinton to waive the ban on visas for anyone with links to terrorism. The same waiver was required this time because of peace initiatives and the IRA's declared cease-fire.

Mr. Adams's tour follows visits this week by four members of the Ulster Unionist party, a voice of the pro-British Protestant voters, and John Hume, a leading Catholic politician. All met with politicians on Capitol Hill, and at the White House with Vice President Al Gore. Mr. Hume also met with Mr. Clinton.

Turkey Bombs Kurdish Stronghold

TUNCALI, Turkey (Reuters) — Turkish aircraft and troops mounted a major operation Friday to wrest the last remaining mountain stronghold from an estimated 3,000 separatist Kurdish guerrillas in the eastern province of Tunceli.

Planes began the second day of the campaign by bombing the Munzur mountain chain and Kutuderei ravine, a valley extending for nearly 40 kilometers (25 miles) and made almost inaccessible by surrounding forests. Helicopter gunships resumed sorties on Friday, hitting slopes and rock overhangs likely to conceal guerrillas.

About 5,000 mountain commandos have been arriving in recent days from nearby provinces and training camps, military officials said.

Nigeria Bars Trip by Nobel Laureate

LAGOS (AP) — The military government, clamping down on its critics, has seized the passport of the Nobel laureate Wole Soyinka, preventing him from traveling to a human rights conference.

Government radio said Mr. Soyinka, awarded the Nobel Prize for Literature in 1986, was stopped at Lagos airport on Thursday night as he tried to board a plane to Stockholm.

Mr. Soyinka is an outspoken critic of General Sani Abacha's military regime. The writer has brought a lawsuit, asking the Federal High Court to declare the administration illegal. The case opened Wednesday and was adjourned Thursday until next Tuesday.

2 Die as C-130 Crashes in Hong Kong

HONG KONG (AP) — A chartered C-130 Hercules transport carrying 12 crew members crashed into the sea Friday off Hong Kong's Kai Tak Airport, killing two and injuring six, the government said. Four crew members were still missing hours later.

The plane crashed in light rain while taking off from Kai Tak, which has one runway that juts into Hong Kong's harbor. Divers and rescue workers were searching the plane, which was submerged in murky water, for the missing crew members. It was the second crash in less than a year at Kai Tak.

The plane had earlier taken a group of Vietnamese "boat people" back to their country. Operated by Pelita Air Service of Jakarta, the Hercules was chartered by the British HeavyLift Cargo Airlines for the Hong Kong government. It had returned from Hanoi and was taking off for Jakarta when it crashed.

2 Papuan Lawmen Held as Looters

RABAU, Papua New Guinea (Reuters) — Two Papua New Guinea police officers were arrested for looting on Friday, as authorities struggled to restore law and order in the almost deserted town of Rabaul — half-buried in ash after five days of volcanic eruptions.

Looters have been rifling through shops and homes since the town was evacuated early Monday after the eruptions of the volcanoes Vulcan and Tavurvur, on either side of Rabaul. They continue to billow clouds of smoke.

Up to 100 armed policemen were moved into the town in the east of New Britain island on Thursday, with orders to shoot looters who ignored warnings. But a source in the security forces said there was also concern about police looting. On Friday, the source said, two policemen were arrested with a van laden with stolen goods.

14 Killed in Pinatubo's Mudflows

BACOLOR, Philippines (Reuters) — Thousands of Filipinos fled their homes on Friday as steaming mudflows from Mount Pinatubo volcano buried hundreds of houses and swept cars and trucks off highways, killing at least 14 people.

Hundreds of villagers were trapped on the roofs of their homes and awaiting rescue by army helicopters after swirling walls of mud crashed through 13 villages in Pampanga Province north of Manila, relief officials said.

Mudflows have been a constant threat during rainy weather ever since Pinatubo erupted in 1991, dumping millions of tons of ash and debris on the volcano's flanks. More than 800 people were killed after the 1991 eruption, one of the century's biggest volcanic blasts.

TRAVEL UPDATE

New York City Invaded by Tourists

NEW YORK (NYT) — Helped by favorable exchange rates and a growing domestic economy, New York City drew more tourists this summer than in any of the previous six years.

Not only did tourists visit attractions like the Statue of Liberty and the Empire State Building in increasing numbers, but many, particularly those from overseas, ventured to less likely destinations, like Brooklyn and Harlem.

"This has been the best summer in recent memory," said a spokesman for the city's Convention and Visitors Bureau. "For starters, New York is now more affordable for foreign tourists, and we've gotten a lot of good coverage lately in travel trade magazines." The outlook for the rest of the year is also strong, he said.

Taiwan, where tourism is booming after visa regulations were eased, plans to further extend the period many foreigners may stay on the island without applying for visas. Last January, to counter a decrease in the number of tourists, Taiwan began allowing citizens from 12 countries to visit the island for five days without applying for visas.

Tighter safety regulations for operators of air tours in Hawaii have been ordered by the federal government after 24 fatalities in the past three years.

The world's first commercial high-speed magnetic train was approved Friday by Germany's parliament. It will move passengers 260 kilometers, from Hamburg to Berlin, in under one hour. The government pledged \$3.3 billion to build the system, which will operate at 425 kilometers per hour, by the year 2004. (AP)

Serb Army Hits Back at UN Force in Bosnia

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — Bosnian Serbian forces have increased their attacks on United Nations peacekeepers since North Atlantic Treaty Organization warplanes destroyed a Serbian tank near Sarajevo, a UN spokesman said Friday.

Three NATO planes hit the T-55 tank on Thursday after a series of Serbian attacks on UN soldiers and vehicles.

The Bosnian Serbian army immediately threatened retaliation, "the time and place of which will be set in the future," General Ratko Mladic, the Bosnian Serbs' commander, added.

"It is not just a matter of retaliating against NATO, it is also against those who ordered the planes to take off."

Tension remained high in the region as the United Nations Security Council moved toward the expected adoption of a resolution easing air travel and other bans against the rump Yugoslav state as a reward for blocking supplies to the Bosnian Serbs.

At the same time, the 15-member body was likely to tighten travel and economic restrictions on the Bosnian Serbs as punishment for rejecting an international peace plan.

A UN spokesman, Tim Spicer, said the Bosnian Serbs had followed up with more attacks, but he said the overall military situation was stable.

Direct targeting of UN personnel by Bosnian Serbian forces increased around Gorazde in the southeast and Bihać in the northwest. A mortar shell landed near a UN observation post near Bihać. When the post commander went to inspect the crater, he was slightly injured by another shell.

The air strike was the first in several weeks and followed growing frustration over the Serbs' flooding of the ban on heavy weapons within a 20-kilometer (12-mile) zone around Sarajevo.

The United Nations gave the Bosnian Serbs two days' notice of a possible attack and 30 minutes' warning before the planes' arrival "so there would be no human casualties." The tank was believed to have been unmanned when it was hit.

Although Russia, a member of the contact group that has drawn up a peace plan for Bosnia, has criticized NATO air intervention before, it backed the latest attack.

Foreign Minister Andrei V. Kozyrev said the UN force, which has Russian members, had to be defended with all possible means. (Reuters, AP)



Two of the French UN peacekeepers, atop a tank in Sarajevo on Friday, who were attacked by Serbs while on patrol.

Lithuania Admits Crimes Against Jews

By Stephen Kinzer

New York Times Service

VILNIUS, Lithuania — In the first public effort by a Lithuanian leader to atone for crimes that Lithuanians committed against Jews during World II, Prime Minister Adolfas Slezevicius appeared on national television to urge citizens to acknowledge and repent shameful aspects of their country's history.

"During World War II, over 200,000 Lithuanian Jews were killed," Mr. Slezevicius said Thursday. "Despite the fact that this Holocaust was the realization of Nazi policies in our country, we should recognize that hundreds of Lithuanians took direct part in this genocide. This obliges us to repent and ask the Jewish people for forgiveness for the unjust suffering inflicted on our fellow Lithuanian citizens."

"I would also like to say that the government of Lithuania assumes responsibility for prosecuting those who participated in murder," he added.

Mr. Slezevicius also ordered that at all official buildings, black crepe signifying mourning be flown alongside the Lithuanian flag on Friday, the 51st anniversary

of the Nazi-led liquidation of the Vilnius ghetto.

"The speech is a step forward, but it doesn't go far enough," Elzaim Zuroff, who heads the Jerusalem office of the Simon Wiesenthal Center, said in a telephone interview. "In the first place, I don't accept their numbers. Thousands of Lithuanians were involved in the murder of Jews, not hundreds. And second, their pledge to go forward with prosecutions is a lot of baloney. We have seen no effort on their part to extradite Lithuanian war criminals from the United States and other countries and bring them back for trial."

This week, however, federal prosecutors in Boston asked a judge to revoke the citizenship of an 87-year-old Lithuanian immigrant, Aleksandras Lileikis, who they said had headed a secret police unit that handed over Jews to Nazis to be put to death from 1941 to 1944. The case, officials said, relied heavily on archives recently made available by Lithuania.

Lithuanian officials said they probably would prosecute Mr. Lileikis if he were deported. The Associated Press reported. "If his crimes are clear and he is deported to Lithuania, he will be tried and could be jailed," said Vidmantas

Vaiciekas, a prosecutor in Vilnius. He would face a maximum life sentence in prison.

Before World War II, 240,000 Jews lived here. Only about 15 percent survived the Holocaust.

Mr. Slezevicius, who said in an interview before his speech that his parents hid Jews in their home in World War II, plans to visit Israel next month.

The speaker of the Israeli Parliament, Shevach Weiss, met with Lithuanian leaders in Vilnius last month. In a telephone interview, he said he expected that demonstrators would protest against Mr. Slezevicius when he came to Israel, but added that he considered the visit to be positive.

"I personally consider the new Lithuanian prime minister to be a good man," Mr. Weiss said. "There are some people in Israel, especially those with Baltic heritage, who think of Lithuania as one big trap, terrible and surrealistic cemetery of our nation. This is not an easy stereotype to change. But I believe this visit will help to show that Lithuania recognizes the past and now understands the importance of opposing all forms of racism and xenophobia."

ROSE: Bosnia Takes Its Toll on British General Commanding UN Forces

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Rose declared, "I want to restore electricity, collect the garbage, establish a postal service, open up routes out of the city." The determined glint in his pale blue eyes suggested that a new era had dawned.

Today, with garbage piling up, roads closed, and the memory of electricity fading again, the general is fond of repeating:

"This is the Balkans, you know."

Asked this week why his vision of a revitalized Sarajevo had evaporated, General Rose could scarcely contain his rage.

"I am totally refuting the allegation that the things promised have not happened," he said, "and I certainly don't like the inference that we are not making progress." Later, he argued more calmly that highs and lows were inevitable in a situation as complex as Bosnia,

and this was no more than a passing low after a period in which Sarajevo life improved markedly.

In the current standoff with the Bosnian Serbs over their decision to cut off utilities in Sarajevo, General Rose has found himself confronted once again by the basic dilemma that has confounded international efforts here: Turn up military pressure on the Serbs and the tens of thousands of UN peacekeepers under the general's command in Bosnia become potential targets for reprisal.

It is because the Clinton administration has chosen not to have American troops on the ground in Bosnia, and has repeatedly argued the most strongly for the NATO air strikes that might endanger the British, French and other troops here, that General Rose has apparently lost patience with the U.S. position.

Officials said he had clashed

sharply this month with NATO over plans to carry out air strikes against guns firing on the Bihać pocket in western Bosnia. He also urged patience with respect to Serbian artillery still within the 12.5-mile weapons exclusion zone around Sarajevo.

The general's new caution reflects what appears to have been a profound shift in his position.

He arrived talking of sophisticated electronic surveillance that would allow swift use of air strikes, but now says only patience can bring results.

"There's a feeling among some people that General Rose might have exhausted himself and that the cooler hand of General Smith might now be beneficial," said one senior UN official. General Smith, 51, has followed the Bosnian situation closely in his current job as assistant chief of defense staff operations and security.

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Colombia	00-800-1211	Haiti	00-800-1211	Mexico	001-800-444-1234	Switzerland	008-04-0222
Costa Rica	00-800-1211	Honduras	00-800-1211	Morocco	001-800-444-1234	Taiwan	008-04-0222
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THE AMERICAS /

Republicans Act to Grab Initiative in Midterm Elections

By David E. Rosenbaum

WASHINGTON — Politicians in both parties remember well the last time there was a midterm election with a Democrat in the White House. It was 1978. Republicans from coast to coast promised tax cuts. The Democrats did not take them seriously.

The Republicans did not do so well that year, picking up only three seats in the Senate and 11 in the House. But the tax cut idea took hold. Two years later, Ronald Reagan rode it into the White House. Republicans won the Senate and gained 33 seats in the House.

So this year, Republican strategists have harkened back to 1978 and have broken again with the custom that off-year elections are not national plebiscites, but merely 435 separate elections for the House and 35 or so for the Senate.

This week, 16 Republicans who are running for Democratic or open Senate seats presented a seven-point plan that they promised to implement if the Republicans win control of the Senate on Nov. 8. Republican candidates for the House plan to offer a similar list Tuesday.

Point No. 1 on both lists is a constitutional amendment requiring a balanced budget. With seeming shamelessness, other points include tax cuts and more money for the military. Spending reductions are not specified.

But unlike 1978, Democrats this year are not sitting on their hands. Instead, they launched a preemptive strike.

Before the Republican candidates made their announcement, top White House officials met with a couple of dozen reporters and columnists to denounce the Republican plans — which they had not yet seen in any detail — as fiscally irresponsible.

A few hours later, the White House invited a few reporters into the Roosevelt Room to hear the plans decried again. Reaching for the kind of snappy phrase that might be remembered by voters, Laura D'Andrea Tyson, chairman of the Council of Economic Advisors, called the Republican plans "Voodoo II," a reference to George Bush's description of Mr. Reagan's economic proposals in the 1980 presidential primaries as "voodoo economics."

Representative Vic Fazio of California,

chairman of the Democratic Congressional Campaign Committee, held a news conference on the Republican plans. They were nothing more, he said, mixing metaphors, than "generalized cotton candy without a bottom line."

Then, at the instructions of the Democratic leader, Representative Richard A. Gephardt of Missouri, senior Democrats on the Budget Committee called yet another news conference about what the Republicans were up to. "It looks like Reagan redux to me," said Representative John M. Spratt Jr. of South Carolina.

At this point, the plan offered by the Republican candidates for the Senate consists of only three pages; the House proposal only one paragraph. But this

time the Democrats swear they will not be caught by surprise.

"Unless we energize our people," said a Democratic strategist, "we'll be right back where we were in 1980."

With that in mind, Mr. Gephardt ordered a professional staff review of a proposal by Representative Richard K. Armitage, Republican of Texas, to scrap the current income tax system, with its progressive rates and many deductions, and replace it with a flat tax of 17 percent on personal income and business profits.

The staff review was somewhat inconclusive but found that under one interpretation, Mr. Armitage's sketchy proposal would reduce federal revenue by more than \$200 billion a year. Mr. Armitage shrugged off such a calculation as the work of a partisan staff.

Wanted: Ideal Jury For Simpson Trial

By David Margolick

NEW YORK — Men rather than women, black men if possible. Older people rather than younger. Discerning rather than deferential. Shepherds rather than sheep. Football buffs, not football widows.

And though there are no longer any blank slates when it comes to O. J. Simpson — "If you get people who don't know anything about this case, they must be total idiots," the defense lawyer Gerry Spence remarked — it's better that they get their news from Newsweek than The Star, a race tabloid. Among lawyers and jury consultants that is the consensus prescription for Mr. Simpson's ideal jury, the type his legal team should seek on Monday, when jury selection in the case involving the former football star is scheduled to begin.

Jury selection, experts agree, is perhaps the crucial phase of the case — matched, says Roy M. Black, a defense lawyer, only by Mr. Simpson's eventual appearance on the stand. "Everything else in the case is not even in the same universe," said Mr. Black, who successfully defended William Kennedy Smith against rape charges in 1991. "You've got to put people on the jury who are willing to listen to what he has to say."

But this case's rules of thumb on jury selection, while widely shared, are not universally held. Jury selection remains one of the last refuges of ethnic, racial and sexual stereotypes, a process in which political correctness has no place. But in deciding who will decide Mr. Simpson's fate, these stereotypes are often contradictory.

Women, particularly white women, particularly those who know bad marriages or abuse, may be more likely to empathize with the slain mother of two children, but they could also be more likely to fall in love with a dashing defendant. Blacks may be more wary of law enforcement, more inclined to think that Mr. Simpson was set up by the police. But they may be just as inclined to resent such assumptions, and bend over backwards to assert their independence.

Law-and-order types may favor the prosecution, but they, more than others, could be offended by what the defense has characterized as bungling by the police. Younger jurors may be more conservative than middle-aged jurors, more inclined to see Mr. Simpson as a hustler and a bad actor than hero, but their minds are supple enough to attend to long, tedious testimony, and thereby spot cracks in the state's case. So would more intelligent jurors, but too much scientific sophistication may make them easily dazzled by the DNA testing.

In a sense, "jury selection" is a misnomer. It is more a matter of deselection, damage control, forensic triage. Each side may challenge an unlimited number of candidates as being biased, but only 20 for any other reason or no reason at all — so-called peremptory challenges.

"You're not selecting people but eliminating those you find offensive," said Gerry Goldstein, president of the National Association of Criminal Defense Lawyers. "What you get is what's left over, the people who don't tell you very much."

Judge Warns Media and Allows Prosecution Evidence
The judge in the case put the media on notice Friday about inaccurate reports and allowed most of the evidence seized in searches of Mr. Simpson's home. The Associated Press reported.

Judge Lance Ito, on the final day of a pretrial hearing, ruled that the prosecution could use most of the evidence obtained in a search of Mr. Simpson's home, including an apparent farewell note from his former wife. The hearing started with the judge singling out a Los Angeles TV station for what he called erroneous reports on DNA evidence. "I am contemplating terminating the media coverage in this case," he said.

Border Unit Puts the Spotlight on Aliens

By Roberto Suro

WASHINGTON Post Service
SAN DIEGO — Deep and dark. Smugglers' Canyon long ago earned its name as a place for those who seek to enter the United States unseen. But now the Clinton administration has turned on the lights in an attempt to transform this 14-mile stretch of the border with Mexico.

When the sun drops into the Pacific, light panels atop long wooden poles begin to hum and brighten. They shine south to the head of the canyon where drug runners and illegal immigrants have gathered nightly for decades.

Instead of sheltering darkness there is an artificial day bright enough to read by.

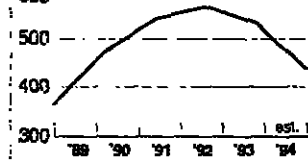
Just getting into the canyon from Mexico requires scaling a 10-foot (3-meter) fence. U.S. Border Patrol agents, who a few years ago had no easy means to reach the canyon, now drive up newly bulldozed roads to watch, wait and then move into action.

Most of the effort so far has been aimed at dissuading Mexicans from crossing here illegally. But now, as the Clinton administration prepares another offensive against the illicit traffic, its greatest challenge lies on the U.S. side of the border.

With California politicians led by Governor Pete Wilson, a Republican, heaping abuse on Washington for failing to control illegal immigration, Attorney General Janet Reno

Policing the Border

Illegal immigrants apprehended near San Diego (thousands).



Source: U.S. Border Patrol, San Diego



announced last weekend that fresh resources would be poured into the San Diego border under a program called Operation Gatekeeper.

Starting Oct. 1, the administration will flood the area with hundreds of additional Border Patrol agents, a fleet of vehicles, new computer and communications networks, a new fingerprinting system and still more lights.

All of this adds to an effort begun by the Border Patrol in 1990 and significantly accelerated by the administration over the past year.

The increased enforcement — with help from California's prolonged recession, its earthquakes, fires and riots, as well as Mexico's improved economy — already appears to have reduced illegal immigration here.

Apprehensions in the San Diego sector are down 20 percent over the last two years.

"This is the big one," said Gus De La Vina, chief of the Border Patrol's San Diego sector.

"We are going all out to stop the bleeding at the busiest, most difficult part of the border, and time will tell how much we can accomplish."

Given the level of anxiety that illegal immigration has aroused in California, the success or failure of the operation will likely affect President Bill Clinton's political fortunes in the nation's most populous state.

Mounting a credible border-enforcement program here is all the more difficult because expectations have been raised by experiences elsewhere.

On Sept. 19, 1993, about 400 Border Patrol agents massed on the levees of the Rio Grande at El Paso, Texas.

In what came to be known as "Operation Hold the Line," the agents formed a highly visible, unbroken, 24-hour blockade, and illegal traffic across the river dropped dramatically.

From the start, the author of the plan, the El Paso Border Patrol chief, Silvestre Reyes,

said it was singularly suited to that particular location.

There were two cities, El Paso and Juarez, adjacent to each other but separated by a clear physical barrier, the Rio Grande. Most of the illegal traffic involved "commuters" — people who crossed the river by day to shop, work, panhandle or commit crimes in El Paso but rarely penetrated more than a few miles into the United States.

Mr. Reyes and other Border Patrol officials argued that the same strategy would not work in the rugged canyons and mesas around San Diego, where most of the traffic is at night and involves long-distance travelers on their way to Los Angeles and other U.S. cities.

Nonetheless, the "deterrence" strategy embodied in the El Paso operation soon became the new gospel of border control as politicians in Washington and California argued for applying the same approach everywhere.

Mr. Wilson has even run campaign television advertisements demanding that Mr. Clinton do for San Diego what he did for El Paso.

"I wish this was El Paso, but we have different problems here and we have been working on a strategy to solve them for several years," said Mr. De La Vina. "Now we are finally getting the manpower to see if it will work."

UPDATE

Killed by Tourists

San Francisco — A 19-year-old woman was killed and another injured when a car driven by a tourist crashed into a crowd of people on a crowded street in San Francisco.

The woman, who was walking with a group of friends, was killed when the car, a 1993 Ford Taurus, drove into the crowd.

The driver, a 30-year-old man, was arrested and charged with vehicular manslaughter.

The incident occurred on a crowded street in San Francisco, near the city's Chinatown district.

The woman was identified as a tourist from the United Kingdom.

The driver is being held in custody and is expected to appear in court next week.

The incident has raised concerns about the safety of crowded streets in San Francisco.

Police are investigating the incident and are looking for witnesses.

The woman was walking with a group of friends when the car crashed into them.

The driver was driving at a high speed when the crash occurred.

The incident has caused a major traffic jam on the street.

Police are working to clear the street and are looking for witnesses.

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UPDATE

Away From Politics

WASHINGTON — The U.S. Navy has canceled training and drills for thousands of reservists for the rest of the month because the Naval Reserve has run out of money. About 20,000 members of the Naval Reserve who would have reported this weekend for training have been told not to appear.

A New York City Council survey of 800 youths found that more than one-third of them have carried a gun at some point and that one-sixth do so regularly. The random survey asked people aged 12 to 21 in 15 neighborhoods with a high homicide rate and in 15 neighborhoods with a low rate. The results were virtually the same in both.

An explosion of foreigners is rapidly changing the face of the United States, according to a report released by the Population Reference Bureau. It said an average of 3,000 immigrants, legal and illegal, arrived each day.

Two widely used food preservatives raised levels of a natural cancer fighter in laboratory animals and appear to do the same in humans, a researcher reported. Dr. Andrew Dannenberg of Cornell Medical College found that the preservatives BHA and BHT "revved up" the gene for an enzyme that helps destroy carcinogens before they trigger tumors.

Measles has been sharply on the rise in the United States this year, due largely to an outbreak among Christian Scientists, who often shun modern medicine. The federal Centers for Disease Control and Prevention in Atlanta reported 730 cases among adults in the first half of the year, more than double the record-low total of 312 registered for all of 1993. Nearly half those afflicted were Christian Scientists.

In the first settlement of its kind, a Texas man who tested positive for the AIDS virus will receive \$100,000 in damages and penalties from a dentist who refused to continue to treat him, the Justice Department said.

WP, NY, AP

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- 9) Winners will be drawn on October 12th and published thereafter in the newspaper.
- 10) On all matters, the editor's decision is final.
- 11) The editor reserves the right in his absolute discretion to disqualify any entry, competitor or nominee, or to waive any rules in the event of circumstances outside our control arising which, in his opinion, make it desirable to cancel the competition at any stage.

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Q2. How often does JAL fly direct from Europe to Osaka?

A. _____

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Back to the Nuclear Talks

Progress in nuclear diplomacy between the United States and North Korea could accelerate now that talks are resuming, but not if South Korea's hard-liners get their way. Their shrill opposition to accommodation could complicate Washington's efforts to make a deal with Pyongyang. It also could delay North-South talks.

The hard-liners are playing on doubts about who is actually running North Korea following the death of Kim Il Sung. They also are sowing doubts about how much bomb-making plutonium the North may have already produced. The best way to lay those doubts to rest is to keep negotiating and see whether the North lives up to its commitments. The evidence suggests that Mr. Kim's son remains on the negotiating path laid out by his father. In talks with Washington last month, the North firm up its pledge to freeze its nuclear program by agreeing to seal its reprocessing facilities and halt construction of two new reactors — reactors that could generate far more plutonium than the one it now has. In return, the United States promised to help build new

light-water reactors and to meet the North's electricity needs in the meantime. Spent fuel rods that the North removed from its one working reactor also remain under international inspection at Yongbyon, preventing extraction of four or five bombs' worth of plutonium. According to the International Atomic Energy Agency, the North has kept its pledge not to reprocess spent fuel. It has also refrained from refueling the reactor. So long as the North does not reprocess or refuel, its nuclear ambitions can be kept in check and the dialogue can continue.

Unfortunately, stopping the North from building bombs does not satisfy Seoul's hard-liners. They want to undermine North Korea's new regime. To that end, they never miss a chance to disparage the younger Kim's legitimacy and want America to put off diplomatic ties. Some of Seoul's top leaders seem sympathetic to the hard-liners' complaints. They would be wiser to recognize that coming to terms with Pyongyang is the only way to make the Korean Peninsula nuclear-free.

—THE NEW YORK TIMES.

NATO Awaits Leadership

NATO sometimes does important business in a strange way. Take the current deliberations on who should succeed Germany's Manfred Wörner, who died last month, as secretary-general. A great issue stands before the Atlantic Alliance: whether and how to expand its membership to include qualified former states of the defunct Soviet bloc. An outsider might think that a candidate's views or leanings on this overarching question would figure in the selection process. An insider would know that the traditional style of international institutions takes into account general acceptability, conventional politicking and other considerations bearing more on consensus and control than on individual qualities. The partners are picking a *lured hand*, not a boss.

The leading NATO candidate is Willy Claes, the Belgian foreign minister and a Flemish socialist. Some proponents of a continuing leading American role in the alliance — and of an expeditious march to take in Poland, Hungary, the Czech Republic and Slovakia — ask quietly whether he is sufficiently "Atlanticist" in the one case and sufficiently expansion-minded in the other. Others pronounce

him sound and reliable, although not exactly "forward-leaning," on matters of interest to the United States. He enjoys polite official American support.

Part of the reality here is that the United States has not really made a commitment to the transformation — not just of membership but of purpose, identity and strategy — that expansion would entail. Despite some positive rhetoric from the president and vice president, the gears of government are not grinding very fast to make it happen. The Partnership for Peace that the Clinton administration has offered other states serves as much to buy time, which has its uses, as to ensure expansion. The Pentagon and some diplomats have their doubts about change. At the State Department, a proposed interagency "NATO Expansion Group" became the noncommittal European Security Group.

We are among those who believe NATO should be carefully but deliberately expanded, not as an anti-Soviet alliance but as a zone of stability for European and Atlantic democracies. The lead falls not to NATO's top bureaucracy in Brussels but to its principal member in Washington.

—THE WASHINGTON POST.

Wake-Up Call for the CIA

The CIA director, R. James Woolsey, was on the Hill this past week to answer questions about allegations of sex discrimination and harassment at the agency's Langley headquarters and at its overseas stations. Like other federal agencies and innumerable private industries, the CIA has been forced to come to grips with the traditional practices and overt bias that have now become the target of female employees. Mr. Woolsey set the right tone by declaring that the CIA cannot "function as a fraternity, much less a white male one." Three separate matters illustrate the scope of his problems.

First, the complaint in a sex discrimination lawsuit filed in July by a female operations officer known as Jane Doe Thompson was kept under wraps by the agency for two months. The plaintiff, a former station chief in Jamaica, had an admirable 23-year career in the CIA and was rewarded by positive personnel ratings, steady promotions and high positions. She alleges that all that changed after she reported a male subordinate for wife-beating and alcoholism. He retaliated, she says, by accusing her of excessive drinking and of sexually provocative behavior in that she sometimes wore "brief shorts and thin tee shirts" in her own home. An inspector-general's report described this behavior as causing some men to believe "she might make a pass." Although numerous co-workers and early

supervisors have defended the 52-year-old officer and praised her performance and personal behavior, her career has come to a dead end. She claims a male officer would never have been investigated for charges of this kind.

Then, in connection with this suit, the plaintiff has revealed details of a previously classified study of discrimination in the agency. Two years ago, the so-called Glass Ceiling Report revealed that half the white female case officers in the operations directorate reported experiencing harassment, as did a similar proportion of black respondents. An agency spokesman says that the study was being taken very seriously, and that action was underway to remedy the situation.

Finally, the "Thompson" case and the study have prompted more than 100 female case officers to consider filing a class action sex discrimination suit against the CIA asking for retroactive promotions and back pay. The agency has agreed to explore a settlement, and court action has been postponed during negotiations, which are now in progress. Mr. Woolsey appears to be moving in the right direction, which cannot be easy in an agency accustomed to secrecy and averse to public challenge. But employees subject to discrimination by even the most protected institutions have rights that must be vindicated.

—THE WASHINGTON POST.

Other Comment

Haiti: A Temporary Victory

The stand-down by the generals in Haiti may have saved everybody a bagful of trouble. For the Haitians, civilian deaths and possible decimation of the small army have been averted. For President Bill Clinton, this defers what might have been a blow to his political fortunes and a ruinous national debate about the use of excessive force on a weak nation.

The imponderable about the Haitian operation has always been that removing one set of problems (one of electoral legitimacy) will spawn another, that of chaos and violence being recycled because the governing institutions and wretched economic conditions have not been stabilized. Caught in the middle will

be U.S. troops and paramilitary forces from other countries acting on UN orders. The unspoken fear is that the triumph of last Sunday, when the generals gave in without a shot being fired, could yet rebound on Mr. Clinton.

—The Straits Times (Singapore).

What seems more interesting in the way the Clinton administration managed this latest dispute was its emphasis on "direct national U.S. interest" in overthrowing Haiti's military rulers, giving up the principles and slogans of spreading democracy and human rights. The administration was not ready to accept any disturbances or uncontrolled developments in its own backyard.

—Al Ahran (Cairo).

Power and Diplomacy: America's Democracy Defense

By W. Anthony Lake

The writer is President Bill Clinton's national security adviser.

WASHINGTON — To many Americans, the Cold War divisions have given way to a confusing tangle of problems that prevent the United States from setting clearly defined goals for its foreign policy. These problems include aggression by regional bullies, transnational dangers like overpopulation and refugees, a global economic and information free-for-all that produces fear and uncertainty, and terrible ethnic conflicts.

But beneath the surface is an enduring truth about this new world. The same idea attacked by fascism and communism remains under attack today. Now, as then, America is defending an idea that comes under many names — democracy, liberty, civility, pluralism — but has a constant face. It is the face of the tolerant society, in which leaders and governments exist not to use or abuse people but to provide them with freedom and opportunity.

We are at the start of a new stage in this old struggle. This is not a clash of civilizations. Rather, it is a contest that pits nations and individuals guided by openness, responsive government and moderation against those animated by isolation, repression and extremism. The enemies of the tolerant society are not some nameless, faceless force. They are extreme nationalists and tribalists, terrorists, organized criminals, coup plotters, rogue states and all those who would return newly free societies to the intolerant ways of the past.

For all its dangers, this new world presents immense opportunities to reshape and create international structures that are adapted to post-Cold War realities and designed to consolidate the victory of democracy and open markets.

The United States is not starry-eyed about the prospect of spreading democracy, but it knows that to do so serves its interests. Democracies create free markets that offer economic opportunity, and they make for reliable trading partners. They tend not to abuse their citizens' rights or wage war on one another.

The administration has made a good start at building security and economic institutions designed to create the conditions in which democracy can flourish. In Europe, it is deeply engaged in transforming NATO to fulfill President Bill Clinton's vision of an integrated continent by establishing Combined Joint Forces for peacekeeping and crisis management and the Partnership for Peace to begin expanding security in Europe eastward. The new global economy requires that we design structures that produce tangible benefits for American citizens and turn their fears into hope. That is why the president went to the mat for the North American Free Trade Agreement, which has dramatically accelerated the exchange of goods and ideas between the United States, Mexico and Canada.

That is why he has taken the lead in setting a pro-trade agenda in the fast-growing Asian-Pacific economies. And that is why the successful completion of the GATT world trade talks was so important. It promises to make a real difference in real lives by creating jobs and raising wages.

The challenges America faces also demand the patient application of diplomacy and the measured exercise of power. But peace is not just an end in itself. It also creates conditions necessary for democratic values to thrive. Thus, when the United States fosters peace in the Middle East, Northern Ireland and South Africa, it is promoting the tolerant society as well.

Effective diplomacy depends not only on the skill of America's diplomats but also on power. Nothing better demonstrates this proposition than the U.S. approach to Haiti. There, the United States has relied on diplomacy backed by power — the threat of the use of force. The regime agreed to step down because of the credible and imminent prospect of a U.S.-led invasion. As a result, we are accomplishing a goal that this administration — and its predecessor — have pursued for three years: the restoration of democratic government.

The progress we have made in Bosnia came when power was tied to diplomacy. The Sarajevo ultimatum succeeded because the threat of NATO air power was judged real. The ultimatum also sparked the agreement on a federation between the Croats and Muslims. And it was the threat of further action by NATO, combined with our sanctions, that led Serbia to close its border with the Bosnian Serbs when they rejected the recent peace plan. Now, we are firmly committed to increasing the pressure on the Bosnian Serbs to accept the plan, partly by enforcement of the ban on heavy weapons around Sarajevo and Gorazde.

It cannot and must not be the responsibility of the international community or the United States finally to resolve all

deeply rooted conflicts. But where practical, we can save lives, as in Rwanda and Somalia, and we can offer conflicting societies a breathing space in which to sort out their own affairs. Whether or not they do so must be their own responsibility.

These explosions in states are also exacerbated by transnational problems — refugees; population growth; an endangered environment; a nefarious nexus of crime, terrorism and the weapons of mass destruction — whose dimensions have been clearly exposed by the end of the cold war and whose challenge we must meet.

We must also contend with regional rogue states like Iran, Iraq and Libya, which seek to traffic in the weapons of mass destruction, support terrorism and are dedicated to the destruction of the tolerant society. For that reason, President Clinton will maintain and modernize the finest military in the world so that the United States can deter aggression — and counter it when the need arises. We have also developed a strategy of dual containment of Iraq and Iran.

And we will uphold our commitment to South Korea even as we negotiate a solution to the nuclear issue with the North.

Because we must fight on so many fronts at once, we will make progress only over time, in small victories, through persistence and pragmatism. These are not evidence of indecision. They are the hallmarks of determination, of a nation engaged in the long struggle for democracy and the freedom and tolerance it brings.

This column was adapted by The New York Times from Mr. Lake's remarks to the Council on Foreign Relations on Sept. 14.

This Overly Ambitious Doctrine Can Only Exhaust the United States

By Robert H. Johnson

WASHINGTON — The intervention in Haiti is most disturbing for what it says about the administration's post-Cold War strategy as defined by Anthony Lake, President Bill Clinton's national security adviser.

To Mr. Lake, America is involved in an extension of the struggle for democracy and against authoritarianism that began with World War II and continued in the Cold War. As in those conflicts, the struggle is Manichean: the forces of evil (rogue states, terrorists, tribalists) against the forces of good (democracies, tolerant societies).

From this perspective, Mr. Lake argues that the world no longer appears chaotic and incomprehensible — that America's enemies are easily identifiable. The threat is still authoritarianism; the goal is still promoting democracy.

Stated this way, America's goal remains the one that the Truman Doctrine established at the beginning of the Cold War. That doctrine provided the rationale for interventions all over the globe in defense of freedom.

Mr. Lake argues that the United States must be selective in its interventions, and the president says America cannot be the world's policeman. But a policy based on principle risks either ever-widening commitments or double standards and growing cynicism.

When America's commitments are challenged, the willingness to carry them out becomes a test of presidential and national credibility. Thus, Mr. Lake sees Haiti as a test of the U.S. commitment to the defense of democracy, and views the demonstration of U.S. resolve to reinstate democracy there as having broad international implications.

Viewing the world through such a wide lens tends to create a sense that the fates of related nations are connected — that a country that "goes authoritarian" will destabilize nations that are geographically or politically related, and dominoes will fall. Despite constant

fears of dominoes throughout the Cold War, there was never a case that clearly demonstrated the validity of the domino theory.

The fundamental problem with basing foreign policy on the defense of democracy through intervention is that the U.S. government lacks the means — and will lack the domestic political support — to carry out such a policy.

When other countries lack the political and cultural roots of democracy, it is impossible for outsiders to create them.

Somalia provided an early post-Cold War lesson in the difficulties of using U.S. power to produce political change in a society that America understands

imperfectly and can barely influence. The goal of nation-building, which came to symbolize American hubris in Vietnam, was unexpectedly revived during the Clinton phase of U.S. involvement in Somalia. Fortunately, its impracticality was quickly recognized. But the problem of political change is even more daunting in Haiti.

The lack of public support for intervention in Haiti and the strong reaction to the relatively limited U.S. casualties in Somalia suggest that Americans are now unlikely to pay a substantial price on behalf of vague causes like world order or democracy.

The incoherence of the administration's foreign policy arises partly from its tendency to take broad stances based on principles, like the support of democracy against authoritarianism, that often conflict with political reality.

The administration has tended to hype threats, implying that if the United States does not take decisive action, U.S. or global security will be at risk. But when it has faced the implications of its statements, it has pulled back. Secretary of Defense William Perry called the North Korean nuclear program a threat to the "entire world" and Mr. Clinton implied the possibility of a preemptive attack. But the administration ultimately decided to negotiate.

While the United States must remain active in the world, it needs to undertake a much less ambi-

tious foreign policy agenda. If it seeks to lead a movement for a world order based on democracy, it will exhaust itself in the effort.

Its foreign policy will become ever more incoherent as domestic and international constraints limit its capacity to achieve its rhetorical goals. And its domestic politics will be roiled by the clamor over its foreign policy failures, diverting its leaders from more essential tasks at home and abroad.

The writer is a fellow at the National Planning Association, a research organization specializing in economic and social issues, and author of "Improbable Dangers: U.S. Conceptions of Threats in the Cold War and After." He contributed this to The New York Times.

For Haitians, a Chance to Bring Tyranny to an End

By A. M. Rosenthal

NEW YORK — The lives of four men, two American and two Haitian, came together briefly in Port-au-Prince, but long enough to show the world the truths about Haiti, its military rulers and the one special nightmare of those who live under tyranny.

None of the four intended to reveal those truths, or even speak them. The Americans, former President Jimmy Carter and General Colin Powell, were doing the opposite. They were so intent on agreement with the Haitian generals that they spoke a terrible falsehood.

They called these generals men of honor. Those words were a slap in the face to President Bill Clinton, who had called the generals murderers, and they mocked the goals of U.S. forces gathered offshore to oust them.

But what sticks in the gut of history is that the words are a blasphemous insult to the thousands of Haitians shot or butchered by the army, the police and the killer squads that kept the generals in power.

"Men of honor." It is like saying that about German SS officers or the Soviet generals who served the KGB. The only difference is in the number of executions and mutilations. What does it tell us about Mr. Carter or General Powell? What is their definition of honor that it encompasses men who commanded killers and torturers?

Lieutenant General Raul Cedras took these compliments and the invitation to hang around in office for another month as the perfect

moment to show Haitians that he intended to be a power long after the month was up. And he did it, as usual — with police clubs.

Then the second Haitian set up a little pile of coconuts for sale in the street. People of the city gathered, to cheer arriving American troops. The Cedras police arrived, to give them the Cedras lesson. The only difference this time was that the American press was there. On TV, you could hear the thunks on skulls. The next day, the coconut man was on the front pages of the world's newspapers, sprawled dead in the gutter, killed just for being there.

Mr. Clinton has made serious mistakes about Haiti. He did not prepare the American public for the invasion by spelling out the reasons, early and often. At the very end, he turned over the crisis to a mission he could not control. The negotiating team permitted the generals to do what the Clinton administration had said would not happen: not only the extra month, but the freedom to decide whether they will remain in Haiti or leave.

General Cedras cleared that up fast. He said he would remain. The purpose of his life will be to return to power.

Mr. Clinton was not elected to turn over his negotiating power in time of crisis to men who not only were outside his political control but also were so obviously contemptuous

of him and his aims. So it is his direct responsibility to make sure that the thugs of the honorable generals are disarmed or kept in barracks. And it is his responsibility to force the generals to use their month's grace to begin getting out of office, instead of to prepare for their next grab at power.

Because of the startling giveaways of the negotiators, the president is getting a lot of criticism from Americans who supported invasion. But this cannot be taken over from the president. It is only because of his decision to apply military power that Americans and the rest of the world can no longer deny knowledge of the Haitian reality.

We know, because we have now seen ourselves, that Haitians could not gather together in the streets without facing beatings or death. We know that neither the presence of the U.S. press nor of U.S. armed forces persuaded or shamed the police into sparing a single skull.

Without the intervention ordered by Mr. Clinton, Haiti would have continued, for decades longer, a country where terror was the instrument of rule, where the forces of law existed to commit crime, where police could kill a coconut man, stand over his corpse as long as they pleased, and then just walk away. With intervention, Haitians have a chance to escape the particular dread that everlasting grips people who have known only dictatorships: how fearful is the past that awaits us.

The New York Times.

A Confident Brazil Practices Hard for a Role on the World Stage

By Philip Bowring

BRASILIA — If Britain, according to Foreign Secretary Douglas Hurd, "punches above its weight" in international affairs, then Brazil must be assumed to punch far below its weight in the world. Thus the strong reservations of the hemisphere's No. 2 country (by size of economy and population) about the No. 1's attempted salvation of Haiti have gone little noticed, except perhaps by the many Latin countries (with the notable exception of Argentina) that share Brazil's public misgivings about the U.S. action.

That Brazil is not a critical factor even in major hemispheric politics may not be surprising. Many years of economic problems and political mayhem, an apparent lack of interest in the outside world, notably modest contributions to UN peacekeeping efforts, and the comfort of being a large country neither threatened nor threatening have been cause and demonstration of a singular lack of assertiveness.

As for Haiti, Brazilian concerns about where the situation leads and what it means for principles of noninterference are tempered by a commitment to the primacy of democratic over military rule and by acceptance that U.S. intent is benign. Nor does Brazil want, at a time when economic reform is its main priority, to irritate Washington.

Yet there are clear indications that Brazil is emerging from its shell in both the diplomatic and economic spheres and that by the time the next Haiti-style crisis erupts in the hemisphere Brazil's views may carry vastly

more punch than they do today.

There are several reasons for expecting a larger Brazilian role. In no particular order: While the question of enlarging the permanent membership of the UN Security Council is not making much headway at present, among developing countries Brazil has the strongest claim after India. If both

Brazil's views may soon carry vastly more punch than they do today.

Japan and Germany were to join, it seems likely that two non-OECD countries would have to join as well. Given current concerns with nuclear proliferation, Brazil's rejection of the nuclear option ought to strengthen its case.

The nuclear question, however, may be less important than the economic one. As China has shown, economic success can quickly turn clown or pariah into political force. Brazil still has a way to go to get back on the path of respect for growth with stability. But the omens are better now than they have been in 20 years.

Linked to the optimism is the remarkable progress of Mercosur, a common market pact among Brazil, Argentina, Uruguay and Paraguay that has moved from idea, to free trade area, to a common external tariff (starting Jan. 1, 1995) in just four years. The tariff has many imperfections and exceptions, but the speed of its adoption without long-range planning

or a secretariat provides an interesting contrast to the bureaucratic ways of Brussels and to ASEAN, whose rhetoric on free trade runs far ahead of progress. Mercosur's success is reflected in a tripling of trade in four years and in the growing number of private investment decisions now based on it.

Argentina deserves at least as much credit as Brazil for Mercosur's success. But Brazil is the dominant force in the group, which also is providing a focus for its Latin neighbors. In particular, Chile is clearly taking note both of Mercosur's progress and the problems that confront its moves toward NAFTA. Both Mercosur and NAFTA liberalize trade and are not incompatible. Indeed, U.S. exports are already benefiting from the existence of Mercosur as well as from the import liberalization being pursued by the four member nations.

As for Brazil, its role in world trade, which until recently was derisory, is growing fast. It has almost equal dependence on the United States, the European Union and Latin America.

Apart from fellow Latins, Brazil's nearest neighbors are in Africa. Rio de Janeiro is closer to Lagos than to Miami. Given the state

of Africa, proximity may not seem much of a recommendation. But links with the new South Africa are growing fast, and Brazil has played a key role in the formation of the South Atlantic Peace and Cooperation Zone involving Latin and African littoral states on issues ranging from the environment and fishing to the establishment of a nuclear-free zone. It is very modest so far but is a pointer to the future in this part of the world where Brazil is by far the largest regional power.

As yet Brazil remains a tentative and reluctant player on the

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Parisian Garbage

PARIS — The contents of the dustbins of Paris, the accumulation of which has long been a source of trouble to the civil authorities, are henceforth to be burnt as soon as collected. The Municipal Council is about to erect a great furnace in the Javel quarter. The expense of clearing the city daily of its refuse costs nearly two million francs a year.

1919: Visions of Peace

NEW YORK — Speaking of the spirit of unrest and rebellion in Europe and Asia, President Wilson declared that the world not only wished for peace, but was determined to have it. America had it now in her power to assure such a peace to the world. Mr. Wilson said that certain organizations had been created in America having for their avowed object

"to destroy all systems of government." He added: "It is of the utmost importance for America that tranquility shall be re-established and that an end shall be made to the spirit of revolt."

1944: Renault Arrested

PARIS — [From our New York edition:] Louis Renault, one of the leading automobile manufacturers in France, was arrested last night and today (Sept. 24) was interned in the Fresnes prison near Paris on charges of having aided the Germans during the occupation. The Renault plant was attacked several times by British and American bombing planes, but despite the tremendous damage done in those raids it is estimated that between June 1940 and the end of 1943 Renault collected 6,150,000 francs for trucks and other vehicles and war material turned out for the Germans.



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Christopher-Lake Struggle Heats Up

By Elaine Sciolino
New York Times Service

WASHINGTON — The Carter mission to Haiti has fueled a struggle between two longtime colleagues, as the national security adviser, W. Anthony Lake, and Secretary of State Warren M. Christopher compete for dominance over foreign policy.

Mr. Christopher's critics inside the White House say he has failed, most recently with the Haiti crisis, to project an image as a strong secretary of state. With the exception of the Middle East, they say, he has essentially ceded policy portfolios to subordinates or other government agencies.

Mr. Christopher was at home last week when President Bill Clinton addressed the nation and decided to make unscheduled calls to former President Jimmy Carter, retired General Colin L. Powell, and Senator Sam Nunn to discuss a possible mission to Haiti that Mr. Christopher initially opposed.

It has not helped Mr. Christopher that Mr. Clinton has openly criticized him in high-level meetings and failed to rally publicly to his defense when he has come under attack, these officials add.

Critics of Mr. Lake inside the State Department assert that he has increasingly sought to elbow aside Mr. Christopher by doing more policy-making from the White House and sniping at him behind his back. As the president's personal liaison with the rest of the government on national security issues, Mr. Lake has complained to U.S. ambassadors that the State Department is incapable of producing good policy papers, senior officials said.

He has told colleagues of bureaucratic paralysis inside the State Department that has forced his operation to seize control of policies toward Rwanda and Northern Ireland.

In senior-level meetings, Mr. Lake has stunned even bureaucratically savvy colleagues by interrupting Mr. Christopher and cutting him short.

Aides to both men deny that there is a rift, saying that the two have never gotten along better, a view echoed by Mr. Lake himself. "Chris and I speak a lot and we have never been on better terms and we have been friends for a long time," he said. Mr. Christopher and his top aides have

decided to respond to the criticism either with a studied silence or explanations that all the important policies — Russia, Europe, NATO expansion, Bosnia and North Korea — are run out of the State Department.

Officials insist that Mr. Christopher is in the policy loop and that any meetings he did not attend are ones he chose not to. They also say that because Mr. Christopher is so confident of his relationship with the president, he feels comfortable delegating authority to trusted subordinates.

Mr. Lake, officials say, has some "special projects" that he is interested in — like Africa and Northern Ireland — and they praise him for taking the lead on those policies.

But political analysts note that the dismissal of Les Aspin as secretary of defense began with an almost-identical scenario: the White House dropping hints that he was not up to the job and Mr. Aspin and his aides saying that all was well.

While it is difficult to divine whether the talk by officials about their superiors is true or not, it is certain that they are indeed talking.

In one sense, the unseemly struggle between the two men — or at least, their subordinates — is surprising, since both of them were seared by the infighting during the Carter administration between their boss, Secretary of State Cyrus R. Vance, and the national security adviser, Zbigniew Brzezinski.

Although Mr. Clinton said last May that he had rejected recommendations that he shake up his foreign policy team, the conventional wisdom in both the White House and State Department is that one of the two men will be sacrificed.

For his part, Mr. Christopher is tired of the relentless questions about his political future. During an interview with NBC News earlier this month, Tim Russert asked him about persistent rumors that he will leave by the end of the year.

Mr. Christopher coldly said, "You know, Tim, the last two times that I've been on this program with you, you've asked the same question. And I'm still here and you're still here. I appreciate your concern about me, but I'm not self-absorbed with my future and I don't think you should be, either."

In recent days the struggle for political survival has burst into the open over Haiti. White House officials insist that Mr. Christopher was strongly opposed to the Carter mission, arguing that it would be impossible to control such a high-level emissary.

"Christopher was against it, Tony was for it," said one official. "It's as simple as that." State Department officials insist, as strongly that Mr. Christopher supported it.

Asked at the State Department briefing Tuesday about a news report that Mr. Christopher had "deep reservations" about the decision, the department spokesman, Mike McCurry, said categorically, "It is not true."

At a minimum, the way the mission was put together illustrates the extent to which Mr. Christopher has either delegated the Haiti policy to his deputy, Strobe Talbott, or was cut out by the White House.

When Mr. Carter called Mr. Clinton last Wednesday with the news that he had spoken by phone to Lieutenant General Raoul Cédras, the head of the Haitian military, and offered a strategy to end the crisis, Mr. Lake decided to draft a proposal for a peaceful solution, senior administration officials said.

Mr. Lake tracked down Secretary of Defense William J. Perry at a reception. He spoke with General John M. Shalikashvili, chairman of the Joint Chiefs of Staff. He consulted Mr. Talbott in his kitchen. He didn't call Mr. Christopher, leaving it to Mr. Talbott to inform his boss.

The next night, when Mr. Clinton delivered his Haiti speech to the nation, Mr. Christopher watched it on television at home.

So when the president retired to a small study off the Oval Office with President Al Gore, Mr. Lake, and his staff, Leon E. Panetta, to phone Mr. Carter and the other two potential emissaries with his thoughts about a peace mission, Mr. Christopher was not there.

George Stephanopoulos, a senior adviser to Mr. Clinton, played down the importance of Mr. Christopher's absence, saying, "There is nothing unusual about a secretary of state not being at a presidential speech."



A Haitian hauling a cartload of charcoal being passed by a U.S. military vehicle with machine guns in Port-au-Prince.

U.S. Ships Some Haiti Refugees Home

Compiled by Our Staff From Dispatches

WASHINGTON — President Bill Clinton said Friday that the United States was sending some Haitian refugees home and increasing food aid to the island state as his administration kept pressing Haiti's military rulers to leave the country.

U.S. officials also said Defense Secretary William J. Perry and General John M. Shalikashvili, the chairman of the Joint Chiefs of Staff, would visit Haiti on Saturday to meet with U.S. forces there.

Mr. Clinton continued to try to cast the U.S. occupation in the brightest possible light as a new poll indicated a majority of Americans disliked his decision to send troops to Haiti.

The president told a bill-signing ceremony at the Agriculture Department that Haiti had calmed to a degree that allowed the United States to return some refugees who fled before the junta agreed last weekend to step down by Oct. 15.

He said the first shipload of Haitians, numbering 200 to 300, would return from Guantanamo on Monday. "We expect more will return next week," Mr. Clinton said.

"The U.S. Agency for International Development is increasing the food program so that we will be supplying, instead of 1 million, 1.3 million meals a day," he added. He said the first shipment of meals would start Monday.

Many of the refugees who set sail for the United States had been housed at Guantanamo

pending transport to havens elsewhere. But after the junta agreed to step down, some refugees offered to go home. U.S. officials said.

Mr. Clinton said there were now 14,000 U.S. troops in Haiti. He also said that some troops that entered Haiti in the first stages of the U.S. occupation earlier this week were returning home and being replaced by other units.

Defense officials said Mr. Perry and General John M. Shalikashvili would fly to Port-au-Prince early Saturday to meet with senior U.S. military officers and troops in Haiti and return that night.

Secretary of State Warren M. Christopher, meanwhile, kept up the pressure on Haiti's military rulers to leave the country after they step down from office, despite their insistence on staying.

Mr. Christopher told NBC-TV that U.S. officials still hoped Lieutenant General Raoul Cédras and the other Haitian military leaders would want to leave the country after stepping down by Oct. 15.

General Cédras has said he will not leave the country and that such a possibility was not discussed in negotiations with Mr. Carter.

Mr. Arside urged Senate leaders on Friday to keep U.S. troops in Haiti until stability is restored. But the lawmakers warned of an impending vote to limit the occupation. Legislation setting a specific deadline for the pullout of U.S. forces from Haiti is to be sent to the

House of Representatives next week.

A new Los Angeles Times poll said that a majority, or 53 percent, of Americans disapproved of the Clinton decision to send troops to the island while 43 percent approved it, with 4 percent undecided.

In Haiti itself, U.S. troops beginning their first foot patrols through Haiti's second-largest city on Friday encountered a band that serenaded them but also a few taunts and death threats. (Reuters, AP)

Marines took to the streets of Cap-Haitien overnight, under new orders to fire on Haitian forces if need be to stop them from menacing civilians.

In Port-au-Prince, a Creole-language newspaper announced it was resuming publication. The weekly Liberté was Haiti's most influential newspaper and one of the loudest voices of the nation's poor when it shut down earlier this month amid death threats. (Reuters, AP)

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Portugal Esc.	47,000	39	26,000	14,000
Spain Ptas.	48,000	34	26,500	14,500
— hand deliv. Madrid Ptas.	55,000	24	27,500	14,500
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— hand delivery S.Kr.	3,500	26	1,900	1,000
Switzerland S.Fr.	610	44	335	185
Rest of Europe, ex CEI \$	485	—	265	145
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BOOKS

OPEN SECRETS

By Alice Munro. 294 pages. \$23. Alfred A. Knopf.

Reviewed by Michiko Kakutani

IN "A Real Life," one of the strongest tales in this sparkling new collection by Alice Munro, we are introduced to a woman named Dorrie, a woman whose life in the Ontario countryside seems completely set, frozen in ritual and routine. For years, Dorrie has led a frugal, marginal existence, trapping muskrats for fur, collecting walnuts to mark the change of seasons. This is the life she has led since her death.

Then, unexpectedly, everything changes: a visitor from Australia is charmed by Dorrie's eccentricity; the two begin to correspond; he proposes and after a small crisis of confidence, she marries him and moves to his plantation in Queensland.

Such abrupt changes proliferate freely in these stories. A piano tuner named Mr. Siddiqui falls ill and deteriorates "from a decent old man into a morose and rather disgusting old urchin, in a matter of months" ("Open Secrets").

Given Munro's consummate control of her craft, these often startling developments never come across as mere plot twists or gratuitous displays.

Rather, they feel like wholly organic developments in her characters' lives. In fact, in Munro's skilled hands, the "swift decision" and "the unforeseen intervention" become metaphors for the unpredictability of life, the incalculable imagination of fate.

Unlike such recent Munro collections as "Friend of My Youth" and "The Progress of Love," most of the stories in this volume are set in one place — the Ontario village of Carstairs — and they take place over a century. Although a few characters recur, the stories are not really interlinked; they come together tangentially to give the reader a sense of a world, a world of waiting, loneliness and unfinished gestures.

Because many of the tales are set in the distant past, because many of them include stories within stories, the volume as a whole feels somewhat more detached than earlier Munro collections, which tended to focus more insistently and more directly on contemporary lives.

The author's generous gifts of sympathy and insight, however, remain undiminished, and she uses those gifts in these pages to create slim, quick-paced narratives that magically unfurl into dense, novel-like examinations of people's entire lives.

More often than not, love — or its relative, passion — is the motor, propelling the characters into or out of relationships. And in charting what she once called "the progress of love," Munro repeatedly delineates the contradictory pulls of independence and domesticity.

In "The Jack Randa Hotel," a woman follows her errant husband to Australia, dons a disguise and tries to manipulate him back into a relationship. And in "An Albanian Virgin," a woman leaves both her husband and her lover, and tries to start a new, solitary life far from home.

This last story is framed by another tale (told by one of the story's main characters and completed by its narrator) about a woman kidnapped in the Albanian hinterlands and betrothed against her will.

Munro uses this device to underscore both the subjective nature of storytelling and people's compulsion to use the art of storytelling to make sense of their lives and to make narrative order out of confusion. As this collection demonstrates, it's an art that she has mastered herself with virtuosic skill.

Michiko Kakutani is on the staff of The New York Times.

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ART

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Masatoshi Izumi with Isamu Noguchi in Takamatsu Studio in 1986.

Laboratory for Artists At the Castle in Warsaw

By Jane Perlez
New York Times Service

WARSAW — A 17th-century royal residence that was bombed in World War II, then demolished and crudely rebuilt by the Communists has become the focus of some of the most energetic contemporary art in Eastern Europe.

Known around Warsaw simply as the Castle, the Center for Contemporary Art at the Ujazdowski Castle prides itself, says its director, Wojciech Krukowski, on being a place for Polish and international artists to experiment.

The rough finish of the large rooms (from the hasty reconstruction — exposed brick in some places, uneven ceilings — has made the center an ideal space for installation and site-specific art.

"This museum is like a laboratory of the arts, it is a space for art in progress," Krukowski said as he bobbed up and down at his table in the center's vegetative restaurant, greeting artists and curators just before the opening of the latest show.

As usual for the center, the new exhibition breaks fresh ground: nine artists living in Berlin (of German, American and Polish backgrounds) are showing their work, much of it installation art, for the first time in Poland.

The idea is to bring some of the intensity of the Berlin art world to Warsaw. Just as exciting for the Poles, another part of the agreement provides for 11 new Polish artists in their late 20s and early 30s to show their work in Berlin later in the year.

"In Berlin, Polish art is considered formalistic and elitist art," said Piotr Rypson, the chief curator of the center. "So we are sending artists who work in very contemporary ways and have the most energy."

No painters are in the shows in either Warsaw or Berlin. "It will be objects, sculpture, installations and photo works that are collage with video," Rypson said.

The vacant castle opened in 1990 as a contemporary art center with Krukowski, a former theater director who supported the opposition Solidarity movement, in charge.

At the start, financial support from the Polish government was reasonable, and the center made its first big splash with a show called "Paradise Lost," which contrasted Socialist Realism paintings with large-scale Polish installation art of the late 1980s.

One of the more sensational installation pieces, by Grzegorz Kliman, 35, consisted of a tunnel of old tin and a ramp of new wood built inside the castle and a huge tinplate obelisk rising out of the lake on the castle grounds.

But since the arrival a year ago of a new government with roots in the Communist past and the appointment of a new minister of culture, Kazimierz Dejmek, money for the center has been slashed.

Dejmek, who favors traditional and folk

art, has expressed disdain for the center, leaving it with virtually no money for new art shows.

A team of arts management experts from the Walker Art Center in Minneapolis visited to help the center and said they were surprised by its high level of activity despite the lack of money.

"The artistic situation is very exciting," said Katharine Deshaw, the director of development at the Walker. "But they are working with very limited funds, just as a shoestring. I wonder how they do it."

Staff at the center often went without paychecks and artists often donated their work instead of being paid, she said. The eight curators each receive a salary of \$150 a month.

Another American cultural manager, Jane Gullong, the director of Arts International in New York City, which organizes expertise for cultural groups in Eastern Europe, described the center as "unique in the region" and added, "The flow of new ideas is stronger and different from any other place."

BUT for all the energy at the center, both the artists and the management know they can't thrive on enthusiasm alone.

"Poles are expert at operating without money," said Nina Wasilewska, the development program coordinator. "But we have to adjust to the changing times. We can no longer just depend on hope. We have to be able to plan."

Some of the artists are leading the way by forming foundations. Klamann, the installation artist, who is from the northern city of Gdansk, said the cutbacks in government money had made relatively large installations like his too expensive for the center.

"There was a big burst after 1989, but now that big fire is just smoldering ashes because of big cuts from the government," Klamann said. "And private people with money are not interested in contemporary art. They say they don't understand it."

A group of artists in Gdansk had set up a foundation that could accept grants from other foundations in Europe as a way of attracting new money, he said.

The center has received its first corporate sponsorship: a \$50,000 matching grant from AT&T Corp. to help finance a retrospective of the Polish-born New York City artist Krzysztof Wodiczko, who has projected photographic images on government buildings, museums and monuments in the United States to make statements about public issues such as nuclear missiles and the homeless.

So far, there has been no money from the ministry of culture for next year's budget, Wasilewska said. "For next year we can't talk to artists because there is no money."

Actually, the center has talked to potential exhibitors. The resilient Krukowski says he has planned a show by the American sculptor Robert Gober. But there's one small point: "It's a matter of getting the funds," he said.

Noguchi's Sculptures: A Legacy Left in Limbo

By Carol Lufy

MURE, Japan — Isamu Noguchi was 84 when he died unexpectedly in December 1988. Equally unexpected was the will he left behind. It specified, as anticipated, that he would like his Mure studio, where he had worked for the last 19 years of his life, to be opened as a public museum.

But the Japanese-American artist left no instructions about what form the museum should take. And even more mysteriously, he left nothing to Masatoshi Izumi, his devoted assistant of 22 years, on whose land the studio complex was built.

That is at the root of a six-year tug-of-war between Noguchi's Japanese and American associates over the fate of his estate. As the 90th anniversary of Noguchi's birth, in November, approaches, the conflict represents a critical juncture in his legacy as one of the giants of 20th-century modernism. At issue is the future of about 200 Noguchi sculptures, worth an estimated \$50 million, some of them, like "Energy Void" (1971), among the most spectacular that he produced.

At least as important, however, is the preservation of the environment that Noguchi created in Mure, where from 1969 he spent half of each year and where he began to work with stone. Mure was the final, and perhaps most compelling, chapter in Noguchi's life. It was there that he finally found a viable place to work in Japan, reaching what many agree to be the pinnacle of a prolific career.

Set amid the beauty of the Shikoku countryside, Noguchi's compound comprises a restored 220-year-old farmhouse, rice, sake and grain storehouses, converted into work, exhibition and entertainment spaces; a sculpture yard enclosed by a wall of stones; a hilltop garden of Noguchi's design; an outdoor atelier, flanked by a pile of uncut rocks, and a vast spectrum of sculptures in varying stages of completion.

Although everyone involved agrees that the compound should be preserved, the Isamu Noguchi Foundation in New York differs with Izumi and a small group of Noguchi's Japanese associates over how to do it.

Izumi remains caretaker and spiritual owner of Noguchi's studio complex, which to a large but uncertain extent was built

with his money. Noguchi and Izumi had an unorthodox financial relationship and that is proving thorny for the foundation.

NOGUCHI met Izumi, who was then 25, in 1964. Izumi had grown up among the stones of Mure and had a masterful knowledge of the nearby quarries. But he offered Noguchi far more than technical skill. He provided the land on which to build his compound, workers to execute his ideas, and with the help of his wife and children, a surrogate family to support the aging artist.

"Noguchi could never have done what he did without Izumi," said Bruce Altshuler, director of the Isamu Noguchi Garden Museum in Long Island City, New York.

Says Izumi: "Even people from Tokyo are surprised at how Noguchi-san could live here without paying me any money." (Izumi has received some money, but the foundation concedes it owes him more.)

The foundation needs Izumi's cooperation to open a museum, because he owns the land and the building on it. Since negotiations began six years ago,

Izumi's terms for a museum have been steadfast and simple: He has made no direct claim to money or to sculptures; what he wants is that the studio complex remain exactly as it was the day Noguchi died.

The foundation fears that this would drain its vitality. "It will be turned into a shrine. People will make their pilgrimage there. But Noguchi won't get known," said Shoji Sadao, executive director of the Isamu Noguchi Foundation in New York. "That is exactly what he didn't want."

The foundation is proposing to remove 37 of about 200 sculptures from the grounds, some of which would be sold to bolster its modest \$10 million endowment. Some of the work would also be made available to European art institutions, where it feels Noguchi is underrepresented.

The next round of negotiations will take place when Izumi visits the New York foundation in October.

The worst-case scenario is that Izumi will make a claim to some of the work, that the rest of the sculptures will be removed to New York, and that Mure, as Noguchi conceived it, will disappear. Given the mounting frustration, both sides concede that this could happen.

"Isamu himself tried to orchestrate terms for a museum in Mure and failed," Altshuler reflects. "He was aware that this wouldn't be easy. But I often wonder if he knew it would be so hard."

Carol Lufy is a Tokyo-based free-lance journalist who specializes in the arts.

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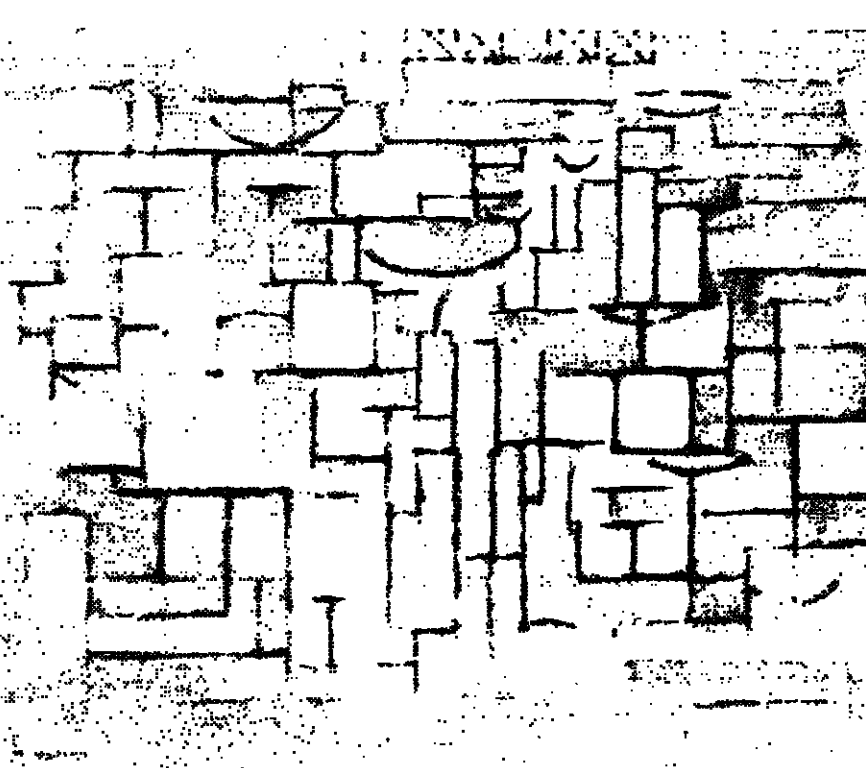
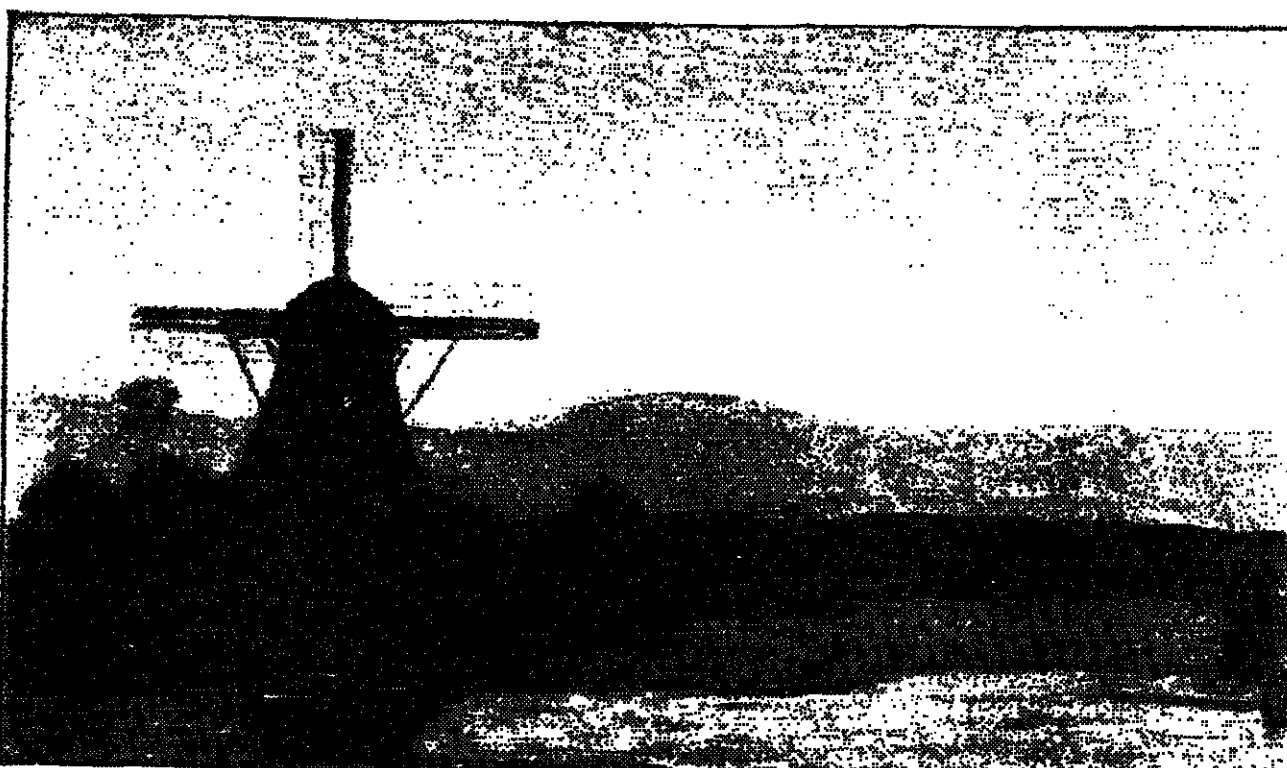


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ART



At left, Mondrian's "Mill in the Evening," in center his "Composition No. XV in Yellow and Gray," and at right Kandinsky's "Boat Trip."

Kandinsky and Mondrian: Parallel Paths to Abstractionism

MADRID — Nearly 100 years after abstractionism first triumphed in Europe, the irresistible force that drove away leading European artists from the figurative has yet to be convincingly accounted for. "Kandinsky-Mondrian, Two Roads Towards Abstractionism," on view at the Fundación "La Caixa" until Nov. 13 and later in Barcelona, on the foundation premises, from Nov. 25 to Jan. 22, is the first attempt at considering the parallel progression of two towering figures of 20th-century art. The outcome was astounding.

In Wassily Kandinsky's oeuvre, structure melted down until it was submerged in an upsurge of color creating a world of dreamlike floating forms. With the hindsight of knowledge, one can detect the early beginnings of the process in the very first picture, a view of "Schwabing in Winter Sunshine," painted in 1901. It is a historic work, in which two opposing worlds are still linked. The composition remains classical. The two diagonals of the rectangle cut across each other at the focal point, but the balance rests on color, not on outline. Shorn of its upper half, with a house and some blurred trees, the lower part makes no sense. Colored bands merely succeed each other.

"Achtynka-Park," done in the same year, is an exercise in dark and light values.

The same shade of blackish green is used for the shadow in the foreground, for the wedge — like a winding river in the middle — and for a clump of trees in the top corner left. Similarly, bright acid yellows leap across the composition in long strips and go up in a shimmering flame, like movement in the leafy trees in the top corner right.

Yet, there is no indication that Kandinsky was intentionally moving away

SOURIN MELIKIAN

from the figurative at that moment. Two wonderful little sketches painted near Tunis in 1905 betray a painter's pure pleasure in jotting down on the spot impressions of color and light. In "Tunis-Coastal Landscape I," color is lightly organized into shape. A vast expanse of rising beige (the strand) presses against a narrow widening turquoise strip (the sea) in the distance. Above, dark blue, then lighter blue indicate low hills and the sky.

The masterpiece is "Tunis-Coastal Landscape II" in layered bands of alternately light and dark color. The pressure of the brush gives a dancing rhythm to the spots of color crushed into the surface. Except for the undulating blue hills on the horizon, very little is instantly identifiable as figurative.

Kandinsky, however, was not ready for abstraction. In 1906, the artist even seemed

to be backtracking. In "Pond in the Park," a firm linear structure is reintroduced. Another 1906 landscape, "The Park of Saint Cloud" holds out the promise of a return to Neo-Impressionism with an intensity of color and a vigor inherited from Fauvism.

The parting of the roads came three years later. In 1909, Kandinsky painted "Group in Crinolines," a genre scene whose flippancy is thinly disguised by the Fauve color scheme all in yellow, red, blue and black. But "Murnau-Landscape with Church I," done within months, is light-years away. It teeters on the verge of pure abstraction. Without the suggestion of a facade in the distance and a low construction on the horizon, the picture would hardly look like a landscape. It is all about contrasted tonalities, intense and dramatic. The subject is immaterial.

Figuration was ebbing away. In "Ettaler Mandl," also of 1909, it survives as it might in a dream. Mountains are painted in blue and red. The foreground is a glowing orange patch and, high up above the peaks, clouds look like floating marguerites. Between 1910 and 1912, the figurative element lingered, taking the form of faintly remembered shapes.

In 1913, Kandinsky hit the end of the road. The titles he chose for his compositions show that figuration for him had become irrelevant, even as a concept. "Red Spot" indeed shows a deeply pink shape

floating against a blue backdrop. Below, wavy lines vaguely suggest hilly crests.

In "Improvisation, Deluge" colored forms bump into each other, tossed about on a blackish-blue ground. "On the Theme of the Deluge," equally abstract, threatening color explodes, swirls and swirls around. It does not depict, it conveys a mood. Kandinsky's search had come to its logical conclusion, the rejection of all formal language, smashing up structure into colored shreds.

Piet Mondrian's itinerary was more tortuous. He came from farther afield. Hendrik Hendriks, in the introduction, reminds us that the painter was trained as a drawing master and it shows in his early paintings. There is Mondrian, the unsuspected painter of naturalistic still lifes with flowers, brass pans and the occasional plaster bust in them. There is Mondrian the observer of the Dutch countryside and even Mondrian as a belated Symbolist painter, portraying blond little girls with sentimental porcelain-blue eyes, emerging from a haze and looking up at some awesome sight. Soon, there was also Mondrian the landscape painter, aware of the Barbizon school legacy.

Some of his early landscapes are gems, rarely celebrated as such. "Ditch near Kalfje," believed to date from 1901-1902, is bold in composition, spartan in the quasi-monochrome color scheme in grayish greens. It exudes deep, interiorized Romanticism. "Clouds," done around 1906, dis-

creetly points to an aptitude for abstract stylization. Trails of color sweep across the plain, fluffy masses fill the sky. In "The Amstel: Haze" the break with figuration is almost complete. The view, in shades of gray, is suggested rather than depicted.

Yet, in 1907, like Kandinsky the year before, Mondrian seemed to return to figuration. "Mill in the Evening" defies classification. A mill is seen immediately after sunset, with the sky still a glowing yellow over low hills reduced to a purplish haze. A river in the foreground is plunged in blackish blue darkness. There is a Barbizon feel to the landscape with a Fauve intensity to its color and a very modern brevity about it all. But Mondrian did not pursue that line.

In 1908, the artist had a go at Fauve-influenced portrait painting. Fortunately, he did not pursue this either — his sitters are as stiff as dummies. "Arum Lily" of 1909 is a pure gem in lavender blue and fiery orange. Barely recognizable as a flower, the motif is more like an abstract textured tapestry. Other flowers are done with precision, such as the lovely "Amaryllis" in shaded red, against a deep-blue ground.

Another phase simultaneously began with landscapes done in broadly applied dabs of color. The figurative element is, at best, vaguely surmised. In "Lighthouse at Westkapelle," in pale blue and pink blobs

and bars, it can be recognized only with the help of the title. Unreal "Dunes" broad done in blues and yellows, or in mauve and oranges, followed.

Then came the shock of exposure to Cubism in 1910. Mondrian became a different artist. His compositions on the theme of the "Eucairypus" are linear almost reduced to black and white. In 1911-12, the artist briefly reverted to the figurative even if "Still Life With Ginger Pot" displays a tendency to geometrical stylization.

But in 1913, abstract geometricism finally got the upper hand. "Composition No. XV in Yellow and Gray" resembles masonry pattern.

After the end of World War I, the painter immersed himself in a search for pure geometry. From the early 1920s until his death in 1944, Mondrian kept rearranging panels of bright flat color containing black bands. The doctrine was locked up in the grid of his obsessions.

Few art shows are as compelling as this exhibition, which was conceived for L. Caixa by Thomas Messer, the retired director of the Guggenheim Museum, now an adviser to Luis Monreal, the brilliant foundation director-general of cultural affairs. By staking out the progression to ward abstraction through different roads without indulging in theorizing, it brings out its inevitable nature. It is as limpid as it is intelligent.

A Twombly Homecoming in N.Y.

By Alan Cowell
New York Times Service

GAETA, Italy — The summer has been stifling, too hot. Cy Twombly said, by painting, too full of distraction and diversion. For this American artist, long viewed as a reclusive and elusive self-exile, has been preparing for a major retrospective in New York with what, for him, is a star burst of publicity.

"You know, this really isn't a thing I do," Twombly, 66, said in his slow, Southern drawl, gesturing vaguely toward a reporter's notebook and a photographer's lights during one of a series of interviews he has given recently. It was not a grumble or a rebuke. Rather, it was more a shrugging acceptance of the way things seem to be done these days.

The preparations were for Twombly's largest American retrospective ever, which opens Sunday at the Museum of Modern Art. It will include 50 paintings, 37 works on paper and 10 sculptures, embracing his entire career.

Twombly's is not a household name in the United States, although he gained a certain notoriety when one of his works was singled out by Morley Safer during an attack on modern art on "60 Minutes" last year as a "canvases of scrawls done with the wrong end of a paintbrush."

On the other hand, those deceptively childlike scrawls have earned him many devoted followers among artists, critics and collectors.

KIRK Varnedoe, head of the department of painting and sculpture at the Modern and curator of the exhibition, thinks Twombly's "purposeful disorder" and "juicy treatment of paint in relation to the body" will appeal to young artists unfamiliar with his work.

After all, says Varnedoe, "he is the grandfather of that approach." And Twombly provides a living link with the New York School tradition of Pollock, de Kooning and Kline.

Like those Abstract Expressionists, who transformed American art after World War II, he deals with heroic subjects — mythology, history, nature; but he does it in graffiti-like lines and splatters that also link him to as contemporary a phenomenon as the 1980s graffiti artist Jean-Michel Basquiat.

For many years he was regarded as a remote figure in Europe, less interesting than his friends Robert Rauschenberg and Jasper Johns, who were thought to have embraced Pop

Art. But this is a Cy Twombly moment. Europe has come back into favor in American art circles, and the admiration accorded him by painters like Anselm Kiefer, Francesco Clemente and Julian Schnabel has only enhanced his reputation.

Today, Twombly is at a time of his life that is in some ways both turning point and homecoming. The New York retrospective will help determine whether he has laid the critical ghost of his last, poorly received, American retrospective, at the Whitney in 1979. And it virtually coincides with his decision, after almost 37 years in Italy, to take up an American residence again in his hometown, Lexington, Virginia.

Not that things ever seem to be cast in such literal light in conversations with a man whose sentences sometimes halt abruptly, as if an inner caution had warned him to go no further toward exposing a private core that like his paintings and drawings, does not yield itself to casual scrutiny.

One senses a person who has always pursued and fulfilled a largely inscrutable and private agenda. "I hope it's not much of anything," he said of the retrospective at the Modern. The comment might seem ingenuous if it did not also seem a form of protection against the sometimes hostile art world in New York. "Why would I want more? Why would I want escalation or something? I have kept my own pace. I think it's a pace the paintings show. I have my pace and way of living, and I'm not looking for something. I'm not looking for taking on something else."

Twombly was sitting in the sunlit courtyard of his hillside house in Gaeta, a coastal city 130 kilometers (80 miles) south of Rome. He bought the house eight years ago and renovated and rebuilt it, but it still seems slightly un-lived in, with dust covers swathing the furniture.

Twombly's pace is less hectic than it was. He worked intensely earlier this year, completing a spectacular, four-canvas series called "The Four Seasons" and a huge 15-meter (50-foot) triptych initially called "The Anatomy of Melancholy" and now untitled. (The former, four large canvases alive with Twombly's characteristic combination of scattered incidents of drawing, painting and writing, will be at the Modern; the latter will be on view next month at the Gagosian Gallery in New York and will eventually go to the Cy Twombly Gallery, a museum that will open in February in Houston.)

The publicity surrounding the retrospective has recalled

some biographical detail about a painter who, by choosing to live in Italy, made himself more obscure in New York than his peers and probably slowed his success. ("If that's the cost" of moving to Italy, he said with a smile, "I'm glad I did it.")

Twombly was born in 1928 in Lexington. Early training as an artist came primarily from Pierre Daura, a Spanish artist who came to Lexington when Twombly was 12 and introduced him to the modern European tradition in which he eventually came to feel most comfortable.

AT art schools in Boston and New York and, in 1951, at Black Mountain College, the famed avant-garde enclave in North Carolina where he studied under Ben Shahn and Robert Motherwell, Twombly absorbed expressionist influences and developed interests in Dada and Surrealism.

In the 1950s, Twombly, along with Johns and Rauschenberg — with whom he traveled to Italy and North Africa — came to epitomize what seemed at the time a reaction against the Abstract Expressionists, who had become the dominant force in American art. The fact that the other two achieved success more rapidly than he does not seem to rankle.

"I don't know what success is," he said. "I don't know if it means notoriety, acceptance or what. It's something I don't think about. If it happens, it happens, but don't bother me with it. I couldn't care less."

(Such sentiments are easier to acquire from a perspective of financial independence. Although Twombly recalls the days in the late 1950s when his works sold for \$100 or so, things are different now. In recent years, Twomblys have brought for \$2 million to \$5 million.)

Twombly moved to Italy in 1957 at the age of 29, when the focus of the art world had shifted from Europe to New York. Within two years he had married Tatiana Franchetti, a member of a rich, aristocratic family. Twombly casts his move to Italy in the simplest of terms: "Rome in the 1950s was a pretty nice place to come to." But the story seems more complicated. He had visited Italy in 1952, with Rauschenberg, but on this trip his association with the Franchetti family brought with it a distinctive lifestyle among people with a long history of patronage of the arts.

Some of Twombly's returns to the United States have been singularly unfortunate. A 1964 showing at the Castelli Gallery in New York of the nine-painting series "Discourse on Commodus" was a fiasco. Not a single painting sold. The Whitney retrospective, Twombly acknowledged, was "not what one would call a success."

Clearly, Twombly has a sense that this time things will be better. "From not caring at all about American painting in the 1950s, Americans think about nothing but American paintings," he said. "I'm the last thing to grab at. That's why they are making something of it."

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Singapore Hangs Dutch Engineer

By Philip Shenon
New York Times Service
SINGAPORE — A 59-year-old Dutch engineer was hanged Friday on narcotics charges, the first Westerner to be executed under Singapore's stringent drug laws.

The Singapore authorities tried out the execution of the engineer, Johannes van Damme, despite appeals from Jean Beatrix of the Netherlands and from the Dutch Foreign Ministry, and despite a letter linking Mr. van Damme to the Dutch national intelligence agency.

In a statement Friday, the Dutch Foreign Ministry said that the government was greatly disappointed and applied to learn of the execution.

The hanging, which took place at dawn at Singapore's Changi Prison, sent a chill through this nation's large expatriate community, which was already alarmed by a recent caning of an American teenager, the arrest last

month of an American businessman on assault charges, and a wave of anti-Western statements by the Singapore government.

Mr. van Damme was arrested at Singapore's Changi Airport in September 1991 after the police found 4.3 kilograms of heroin hidden in his suitcase. He was taken into custody shortly after he arrived at the airport from Thailand, a major transshipment point for narcotics, in transit to a flight to Athens.

Mr. van Damme, a resident of Nigeria since 1976, had insisted that he had been set up by a Nigerian criminal operation that he had exposed to the Dutch intelligence agency, the Service for Security and Territorial Defense.

Mr. van Damme, who was married to a Nigerian, insisted that he had been carrying the bag for a Nigerian engineer, and that he had not known what was inside. Nigerian drug operations are reported to control much of the heroin trafficking in Southeast Asia.

UN Troops From Japan Arrive at Zaire Town

The Associated Press

GOMA, Zaire — Japanese soldiers dressed in camouflage uniforms landed here Friday in the first international deployment of troops under Japanese command since World War II.

"It is very remarkable, amazing and interesting," said Colonel Makoto Nasu, of the landing at Goma's international airport.

"The time is changing," Colonel Nasu said, adding that "for the Japanese people it is the first time after World War II that we are outside Japan under our own command."

Japan is deploying 470 members of its Armed Self-Defense Forces on Zaire's frontier with Rwanda to help Rwandan refugees. They will be based in Goma.

Although Japan's military has dispatched peacekeeping troops to Cambodia and Mozambique, they were under the orders of UN officials. The Japanese peacekeeping mission to Goma was requested by the United Nations and will coordinate with the UN force, but it will have its own independent command.

Japan approved sending the troops after settling a dispute over the weapons they will carry and when a soldier can use firearms for self-defense.



A man carrying a just-made coffin near the Presidential Palace in Port-au-Prince as Haitians went about their business.

HAITI: A Hospital Comes to Life as Troops Deliver Badly Needed Supplies

Continued from Page 1

army to behave like professionals. But longtime American and foreign residents of Cap-Haitien, some of whom oppose both the return of the exiled president, the Reverend Jean-Bertrand Aristide, and the U.S. intervention, said that unless the Haitian military was tough, it would lose control of the streets.

"The only thing these people understand is a good kick in the ass," a French businessman said. "That sounds harsh, I

know. But if the Haitian military surrenders the streets, this place will be chaos."

Colonel Hartley said night-time patrols, seen as the most dangerous, would begin Thursday night. Also, for the first time, Marine platoons began walking through the neighborhoods, a move viewed more as an attempt to keep an eye on the Haitian military than on the civilians.

Doctors at the general hospital said that although they had occasionally treated the victims

of military brutality in the last year, the incidents had been isolated.

Rumors spread throughout the city Thursday afternoon that the U.S. military planned to disarm the Haitian troops, but Marine commanders said the talk was unfounded.

At the public hospital, nurses in pressed uniforms moved among the patients as doctors stared at the growing piles of supplies. The U.S. military has between 250 and 300 pallets of medical supplies, and after only

a few dozen were delivered, the hospital was running out of storage space. The donations will make the general hospital here almost overnight the best equipped in the country.

"You could see on their faces fear and suspicion when we first arrived with all our weapons," said Lieutenant Miller, the Navy doctor. "But then when they saw all the supplies, everything changed."

"Before we could offer only comfort," a nurse said. "Now we can get to work."

300,000 Flee City In India Hit By Plague

Compiled by Our Staff From Dispatches

SURAT, India — More than 300,000 panic-stricken people have fled this western Indian city, where at least 100 people have died from pneumonic viral fever and many more were fighting for their lives, officials said Friday.

Health officials in New Delhi said the mass exodus from Surat could spread the highly infectious disease to other parts of the country.

They said New Delhi was placed on alert on Friday to stop the possible spread of the fever, which doctors described as pneumonic plague.

"We have sounded a red alert as a precaution," Health Minister Harsh Vardhan said.

Officials planned to set up special offices where people could be tested and treated for the plague. Prime Minister P. V. Narasimha Rao ordered the Health Ministry to set up a control center in New Delhi to track the disease and coordinate steps to combat it.

Bubonic plague, a less contagious form of the disease, which is transmitted by fleas, struck up to 155 people in the western state of Maharashtra several days before the more lethal strain hit the neighboring state of Gujarat.

Pneumonic plague can destroy a victim's lungs within hours of exposure.

Officials said no one had died from bubonic plague, which appeared in an area that had been devastated by an earthquake last year that killed at least 10,000 people. They said the situation was under control.

"Wherever there is such a major ecological change we expect episodes of this kind," said a health official, Madhusudan Dayal. "We noticed a lot of rodents dying in the region before the plague struck in the last few days."

"We are seriously concerned," he added.

The initial symptoms of pneumonic plague are fever and coughing, while victims of bubonic plague suffer swelling of lymph glands.

"We would advise people receiving guests from Maharashtra and Gujarat to be particularly alert about the symptoms," Mr. Vardhan said.

A rumor that the municipal water supply had been contaminated fueled the exodus from the city, which is 270 kilometers (170 miles) from Bombay.

Vans fitted with public address systems drove through the city of more than 2 million people, urging residents to stay. The government took out large advertisements in local newspapers telling people to remain at home and not to panic.

Indian officials said the plague had not been seen in the country since 1966.

The government was advising the entire population of Surat to take the antibiotic tetracycline to combat the airborne disease because they were considered at risk, Mr. Dayal said.

The Surat chief administrator, Pravin Trivedi, said 69 more patients with symptoms of pneumonic plague had been hospitalized, bringing the number of people undergoing treatment to 179. One person was brought to a hospital from outside Surat, he said.

Doctors said there was an acute shortage of drugs, especially tetracycline.

"There's a panic buying of drugs," said a city official, Balwant Singh. "The entire stocks of tetracycline have disappeared from the market."

(Reuters, AFP)

LOBBYISTS: Will Reins Hold?

Continued from Page 1

ers and nonlawyers alike, whether they are in-house or contracted, and whether their clients are for-profit or non-profit. In addition, it would require all lobbyists to be registered. Currently, about 4,000 of the 13,000 paid lobbyists in Washington are registered.

It would also require them to disclose estimates of their fees and the amounts they spend. They must also disclose whom they lobby, the issues on which they lobby and on whose behalf they are lobbying.

Under the terms of the agreement, an office would be established to adjudicate matters involving lobbyists, who are not subject to the rules of Congress. The new office, based in the executive branch, could impose fines of up to \$200,000 on errant lobbyists. Members of Congress would be subject to the rules of their respective ethics committees.

"This is a major breakthrough," said Fred Wertheimer, president of Common Cause, the public-interest lobbying group. "It's important, and it effectively addresses this issue of lifestyles of members of Congress being paid for by special interests."

"But," he added, "most people recognize that the larger issue continues to be cleaning up the corrupt campaign-finance system. It allows people who

are in the business of trying to influence government to give large sums of money to help elect the people they are trying to influence."

Senator Carl Levin, the Michigan Democrat who was the main force behind the lobbying legislation, said as much on Thursday when he and Representative John Bryant, Democrat of Texas, announced the agreement.

"This will make a major contribution to increasing public trust in the institution," Mr. Levin said, "because what the public has seen and read is about all of the gifts and travel and the golf outings and the meals from lobbyists, and all of this stuff, and we're ending it. We're saying, 'No.'"

But, he added, "are there other things we need to do? You bet." Still, he said, the lobbying bill "will change the way we operate around here."

Trips paid for by lobbyists have been a thorn in the side of Congress, particularly when members appeared on television, playing golf and tennis at lobbyists' expense. Although the new agreement bans paid travel by members and their staffs, as well as payment or reimbursement for travel to events that are substantially recreational, it allows payment for necessary expenses for travel to a speaking engagement or other official event.

Shackleton, M. Renaud, Actress, Dies at 94

Agence France-Press

LONDON — Lord Edward Shackleton, 83, the Antarctic explorer, politician and industrialist, died Thursday in a retirement home in Hampshire, southern England, his secretary announced Friday.

Lord Shackleton of Burley divided his career between politics and exploration, most notably to the two poles where along the way he learned the Eskimo language and subsequently wrote a celebrated book on his travels called "Arctic Journeys."

A graduate of Magdalen College, Oxford, Lord Shackleton wrote or co-wrote books on Borneo, terrorism and the Falkland Islands.

He joined the Royal Air Force at the start of World War II and reached the rank of lieutenant colonel, heading the military and naval information section in the Air Ministry.

He was a Labor member of Parliament from 1946 to 1955, and he was made a life peer with the title of baron in 1958.

From 1964 to 1967 he was Minister of Defense for the RAF before becoming leader of the House of Lords (1968-70), then leader of the opposition in the Lords (1970-1974).

Physically slight but a vibrant personality, Miss Renaud acted in the company's classical and contemporary productions for more than 40 years. At the age of 89, she starred in a revival of Marguerite Duras' "Savannah Bay." She also was celebrated for her frequently revived performance in Samuel Beckett's "Oh! les beaux jours" ("Happy Days"), and she played leading roles in a wide repertory.

Her company began in 1947 at the Théâtre de Marigny and a decade later moved under government auspices to the Théâtre de l'Odéon. After being summarily evicted by André Malraux, then culture minister, because of Mr. Barrauld's expression of support for the 1968 student uprising in which the Odéon was occupied by students, the company weathered several moves. Its last home was the Théâtre du Rond-Point, a converted skating rink across the Avenue des Champs-Élysées from the Marigny, where they began.

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Church law insists that the Pope be chosen by a conclave of up to 120 cardinals under the age of 80, who make their choice in elections that take place in the Sistine Chapel. Of the 120 positions for "cardinal electors," 22 are currently vacant, and the Pope is expected to announce appointments this year. But, already, he has

Leonard Feather, 80, Leading Jazz Critic

Continued from Page 1

NEW YORK (NYT) — Leonard Feather, 80, the dean of American jazz critics and a composer and musician, died Thursday of complications due to pneumonia in Encino, California, according to a friend.

Mr. Feather's influence in jazz was far-reaching. As a critic, he was an elegant, straightforward stylist who from the 1930s on chronicled the jazz scene. Mr. Feather was early on an advocate of bebop.

Mr. Feather's talents were not restricted to criticism. He studied piano and the clarinet, and taught himself arranging. In England and in the United

States, Mr. Feather became an important record producer and composer, writing pieces for Dinah Washington ("Evil Gal Blues") and "Blowtop Blues" that have often been recorded. His biggest hit, "How Blue Can You Get," was recorded by Louis Jordan and by B.B. King.

He was an exceptional talent scout, producing the first recordings of Dinah Washington and Sarah Vaughan.

The Right Reverend Daniel N. Corrigan, 93, an Episcopal bishop whose career was marked by campaigns for peace and human rights, died Wednesday in Santa Barbara, California, from complications resulting from a fall.

He added that of 60 people who called an association hot line, "a good percentage" said they were referred to loan sharks by bankers who had turned down their requests for loans.

The director of the Association of Italian Banks, Giuseppe Zadra, disputed the assertion, saying the loan sharks were part of an outside circulatory system, breeding off money from illegal sources like drugs.

"I insist we're dealing with an external phenomenon," he said, "and in some ways in competition with the activities of our banks."

Whatever the truth, this week's news from Turin must have troubled the banks, after the police raided local offices of Banca Commerciale Italiana, Italy's fifth-largest, and a local savings and loan called Ceriana Brothers, pursuing evidence obtained earlier this summer when they landed a major loan shark named Giuseppe Mazzone, the 40-year-old owner of a finance company called Group Financial Broker.

Mr. Mazzone, it seems, did a billion-dollar business borrowing heavily from friendly bankers, then relending the money at 100 percent to 500 percent per annum to 150 or so clients. In return for the no-questions-asked policy of the bankers, Mr. Mazzone supplied them with high-priced call girls.

Usually, when the talk turns to such discussions, someone likes to recall another papal aphorism: He who enters the Sistine Chapel as the odds-on favorite usually emerges, unchanged, as a cardinal.

Among the current cardinal electors, however, the single biggest bloc, numbering 48, is composed of Europeans, including 19 Italians, according to a survey published in June in L'Espresso magazine.

The leading Italian contender, many Vatican experts argue, is Cardinal Carlo Maria Martini, the archbishop of Milan, although, as a Jesuit who has spoken of "healthy pluralism" within the church, his candidacy would run into opposition from such conservative groups as the Opus Dei organization.

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Czar's Brother Is Reburied

The Associated Press

ST. PETERSBURG — A younger brother of Russia's last czar was reburied Friday near the tomb of Peter the Great in a solemn ceremony.

The remains of Grand Duke George Alexandrovich, whose body was exhumed in July for genetic testing to help identify the bones of the royal family, were interred in a royal crypt in Peter and Paul Cathedral.

Georgi died in 1899 of tuberculosis at age 27.

KOREA: A New Demand

Continued from Page 1

could determine whether it has tried to make a nuclear bomb. Libya cast the only "no" vote.

It was the second consecutive year that the conference has passed a resolution specifically criticizing North Korea. Past rebukes have only hardened the North's stance. Pyongyang abruptly renounced its membership in the agency in June after the body's governing

board sharply criticized the North and suspended all non-military technical aid.

The atomic energy agency has no police powers, but it has broad experience monitoring sources of nuclear materials.

In a separate development, North Korea on Friday called joint U.S.-Japan naval exercises off its east coast a "war gamble" that could complicate negotiations to end the nuclear standoff. (Reuters, AP, WP)

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(Continued From Page 13)

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300,000 Flee City In India Hit By Plague

SURAT, India — More than 300,000 people have fled this western Indian city, where at least 100 people have died from pneumonic plague and many more are fighting for their lives, officials said Friday.

Health officials in New Delhi said the massive exodus from the city would speed the health and infectious disease in other parts of the country.

They said New Delhi placed on alert on Friday to stop the possible spread of the fever, which is a deadly pneumonic plague.

"We have found a strange as a pneumonic plague," said Health Minister Narasimha Rao, who ordered strict measures to control the disease and track the disease and state state to New Delhi.

Officials said the disease is a deadly pneumonic plague, which is transmitted by fleas, the state of Maharashtra was up to 15% people in the state before the more strain hit the neighboring state of Gujarat.

Pneumonic plague is a deadly disease that can be transmitted by fleas, the state of Maharashtra was up to 15% people in the state before the more strain hit the neighboring state of Gujarat.

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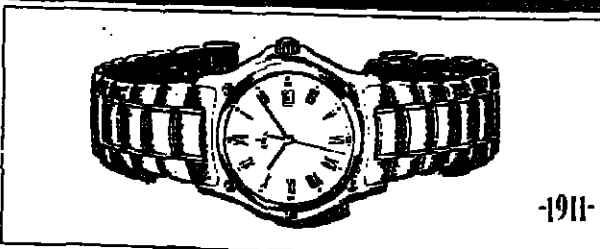
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FINANCE

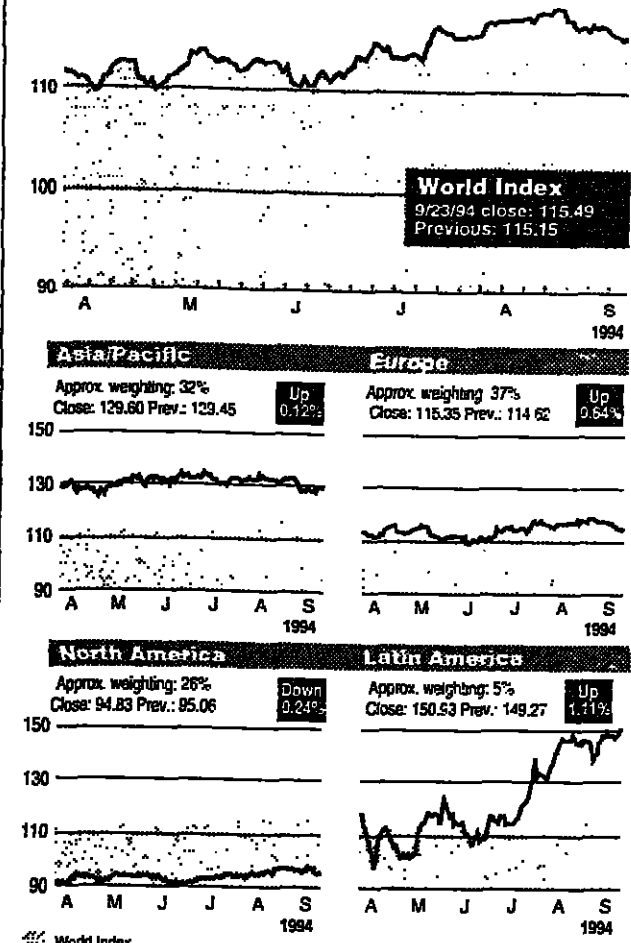
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THE TRIB INDEX: 115.49

International Herald Tribune World Stock Index, composed of 260 internationally investable stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and other major financial centers. The index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top stocks are tracked.

Industrial Sectors	Price	Prev. Close	% Change
Energy	112.16	111.71	+0.40
Utilities	131.30	130.82	+0.52
Finance	115.48	115.15	+0.29
Services	120.35	120.50	+0.37

The Fateful Falling Out of Disney's Dynamic Duo

By Bernard Weinraub with Geraldine Fabrikant
New York Times Service

HOLLYWOOD — In a decade, Michael Eisner and Jeffrey Katzenberg transformed the slumbering Walt Disney Co. into an \$8.5 billion entertainment giant whose success has seemed magical. Investors surged to the company, and its stock price multiplied. Its top executives were lavishly rewarded. Mr. Eisner, the chairman, earned more than \$203 million last year.

This year Disney is enjoying the most profitable film ever, "The Lion King," the top-rated television show, "Home Improvement," and the most successful musical on Broadway, "Beauty and the Beast."

But three weeks ago Mr. Eisner shocked the

entertainment industry by denying Mr. Katzenberg's request for a promotion to the No. 2 position at the company and essentially dismissed Mr. Katzenberg, his long-time colleague and ally.

Now Disney is suffering the consequences. Without Mr. Katzenberg, the studio division that was the most profitable in Hollywood and the star performer at Disney in recent years has been nearly paralyzed, according to Disney studio executives and Hollywood producers and agents. The company has been embarrassed as Mr. Eisner and Mr. Katzenberg have lashed out at each other.

Since Mr. Katzenberg's departure, an animated movie in production, "The Hunchback of Notre Dame," has been delayed, according to Disney executives. The theater division that Mr.

Katzenberg also ran, which is responsible for "Beauty and the Beast," is leaderless.

In addition, there is uncertainty about the timing of the show's openings and the shape of projects like "Aida," with music by Elton John.

The producers of several coming Disney films said the marketing side of the company seemed crippled. Mr. Katzenberg was especially good at using Disney characters in profitable merchandising ventures.

Even Disney's interest in acquiring the NBC television network from General Electric Co. — Mr. Eisner is in New York for talks with network executives — has been shadowed by the departure.

"Losing Katzenberg was like losing an important piece of manpower," said Emanuel Gerard, of the investment firm Gerard Klauer Matusson.

"If you go out and buy a network at a time you are restructuring management, it puts of pressure on management."

There was the remarkable animators who were once allies. The animators were so intense that Mr. Katzenberg had been that he will not be welcome next month at London premiere of "The Lion King," at Mr. John, the composer of the score, want have a party for him.

Animators at the studio who sought to have a farewell party for Mr. Katzenberg were told by Mr. Eisner. Moreover, Katzenberg has been told to leave his office the studio as quickly as possible.

Perhaps most cutting for Mr. Katzenberg Eisner has sought to diminish the impact of

See DISNEY, Page 11

Pirelli Profit Rises On Reduced Debt

Bloomberg Business News

MILAN — Improved productivity and reduced debt helped Pirelli SpA return to profit in the first half, reversing from a loss in the first half of 1993.

The tire-and-cable company earned 54.6 billion lire (\$35 million) in the half, reversing from a 62.7 billion lire loss in the first six months of 1993.

Marco Tronchetti Provera, the chief executive, predicted Pirelli would turn a full-year profit this year, breaking a string of three years of losses.

The results sent Pirelli's shares up to 2,640 lire Friday from 2,590 lire Thursday.

First-half sales rose only slightly, to 4.69 trillion lire from 4.64 trillion. But net debt as of June 30 fell to 1.83 trillion lire from 2.1 trillion at the end of 1993 and from 2.64 trillion at mid-1993.

Mr. Provera said the company put emphasis on consolidating its core segments than on increasing sales.

"We didn't look to increase volumes," he said. "Our aim was to get out of areas and niches where we didn't have margins."

Over the past few years, Pirelli has sold all its operations that

were not linked to tires and cables. It also withdrew from some specialized tire sectors and moved away from copper wires to optical transmission.

Operating profit rose to 186 billion lire from 155 billion, while pretax profit was 105 billion lire, reversing from a loss of 83 billion lire in the 1993 half.

The company's tire operations posted a net profit of 7 billion lire after a loss of 49 billion lire in the first half of last year.

Mr. Provera said the European tire market was growing slowly, but that prices were stagnant.

He tempered his forecast for full-year profit by saying the company still faced "tensions" in raw material prices and an ongoing battle with U.S. unions over proposed wage cuts.

Analysts predicted Pirelli would earn about 100 billion lire this year, a turnaround that matches other companies in the European auto sector.

Fiat SpA is expected to announce next week a small pre-tax profit for the first half.

On Tuesday, Compagnie Generale des Etablissements Michelin SCA reported a first-half net profit of 410 million French francs (\$77 million), compared with a loss of 3.2 billion francs during the year-earlier period.

Reform of U.S. Telecom Law Dies

By Edmund L. Andrews
International Herald Tribune

WASHINGTON — A sweeping effort to rewrite the U.S. telecommunications laws to permit open competition between telephone and cable-television companies collapsed Friday in the Senate amid feuding between rival industry groups.

The death of the bill was announced definitively by its chief Senate sponsor, Senator Ernest F. Hollings of South Carolina. Blaming opposition from the regional Bell companies, Mr. Hollings said he had run out of time before Congress adjourns.

The defeat came despite a broad consensus that current laws have not kept pace with changes in technology or the marketplace and despite strong bipartisan support for the legislation. The House had passed a similar bill by overwhelming margins in June, and President Bill Clinton strongly favored the measure.

Had it passed, the bill would have overhauled the 60-year-old American

communications laws from top to bottom. Its primary goal was to eliminate the regulatory barriers that divided the industry into separate and protected fiefdoms for local telephone, long-distance and cable television service.

The three industries have been on a collision course for some time as each has raced toward a similar vision of building the so-called information superhighway — networks that deliver everything from telephone calls to television and electronic textbooks at the touch of a button.

"Only one sector of the industry continues to oppose the bill: the telephone companies," Mr. Hollings said.

But others were more temperate, saying the effort had become freighted with too much baggage in an attempt to placate too many entrenched industry groups. The past several months have produced a bitter if predictable battle for political advantage between local tele-

phone companies, long-distance carrier and cable television operators.

"This bill had become somewhat of a Christmas tree for the benefit of various interest groups," said Eli Noam, director of Columbia University's Institute for Tele-Information.

The bill's defeat this year may well mean that it is doomed for good, given the extraordinary efforts by top lawmakers in both the House and the Senate to hammer out the necessary compromises.

The impact on the industry — and on consumers — remains unclear. Industry analysts say Congress and Mr. Clinton were essentially trying to legitimize a process that had been well under way already. Thanks to advances in digital technology, virtually every segment of the communications industry has begun chipping away at other markets. That process is likely to continue, although its pace will inevitably be slowed by the laws that remain on the books.

Rising Commodity Prices Arouse Rate Fears

Compiled by Our Staff From Despatches

LONDON — Key world commodity prices extended their rally of 1994 this week, led by gold, which broke the \$400 dollar barrier on Friday in New York for the first time in more than a year.

The spike in gold prices has added to concern that the Federal Reserve Board will raise American interest rates next week to control inflation.

On average, commodity prices are up by about 30 per-

cent this year although few economists predicted a big risk of inflation.

Silver, copper and zinc also hit highs Friday. Coffee prices have risen to their strongest levels since 1986. Wheat is up by a third since July.

Gold for delivery in December closed at \$399.60 an ounce in New York, up 60 cents from Thursday.

"Prices are rising from a low base," said Morgan Grenfell

Economics in its latest review of the outlook for commodities.

The boom is driven by speculative fund buying, although it is supported by strong demand as the global economy emerges from recession and in such cases as coffee and wheat — poor crops in some areas.

But crude oil prices, which carry the biggest inflationary risk are only around \$10 per barrel now, up from \$13 in January but well below \$20 seen in 1993.

Some dealers said the gold

market attracted waves of buying by speculators and users, the jewelry industry gears up for Christmas.

But the rise in gold comes on four days before the policy-making arm of the Fed meets. Al Greenspan, the central bank chairman, has said the Fed watches gold prices as an indicator of inflationary expectation.

Investors often buy gold as a hedge against inflation, which diminishes the value of assets.

See MARKETS, Page 10

ECONOMIC SCENE

The German Market Votes

By Brandon Mitchener
International Herald Tribune

F RANKFURT — With elections less than a month away and the economy finally growing, the German business community's official neutrality toward the prospect of change in government has given way to open skepticism.

The closer the election gets, the more financial markets and the business community seem to fear that a government under the Social Democratic Party, led by Rudolf Scharping, might indeed be different and slow the pace of economic reform.

Oskar Lafontaine, the Social Democrats' finance minister-designate, recently accused the center-right government of Chancellor Helmut Kohl of presiding over "record deficits, record unemployment, record high taxes and social security fees." He went on to say there were "more people living off the state than ever before."

But Hans Peter Söhl, president of the Association of German Chambers of Commerce, a powerful industry lobby that had previously been politically neutral, warned that a Social Democratic-led federal government would be bad for the economy.

"It's ultimately a choice between four years of progressive, market-oriented government that will prepare us for the 21st century and interventionist, tax-and-spend government with a backward energy agenda that will jeopardize Germany's place amid the world's leading economic powers," he said.

Despite the fact that Mr. Kohl's ratings are advancing in the polls, political uncertainty has weighed down stock prices and helped inflate bond yields. International investors

have been delaying decisions until the country's political uncertainties are resolved.

What has happened to the Social Democrats' credibility? Erwin Grandinger, a political consultant, said the party has made a series of crucial mistakes.

In March, Mr. Scharping, the Social Democratic candidate for chancellor, said he would replace Mr. Kohl's planned 7.5 percent tax on all wage-earners with a 10 percent personal income-tax surcharge on anyone who earns 60,000 Deutsche marks (\$38,777) a year, which includes most of the German middle class. Though he meant 60,000 DM net, not gross, the damage was done.

The latest slip was Mr. Scharping's decision in Saxony-Anhalt state to allow the formation of a minority government including his Social Democrats and the Greens that depends on the support of the Party of Democratic Socialism, formerly the Communist party, to achieve a majority.

The success of the former Communists in the economically depressed Eastern Germany has raised fears that the Social Democrats would enter into a similar relationship in Bonn if it were the only way the party could wrest power from Mr. Kohl.

The former Communists have made attempts to temper their rhetoric, but the official party program still calls for the abolition of private capital.

Analysts worry that a ruling coalition that would include any of country's left-leaning parties would increase Germany's deficit. "Any coalition which includes the SPD or the Greens is likely to see a softer fiscal policy, although ambitious spending plans would

See VOTE, Page 11

Hong Kong Adds 7 New Listed Stocks

Reuters

HONG KONG — The Hong Kong stock market's blue-chip indicator, the Hang Seng index, will add seven new stocks to replace the Jardine Matheson group of companies, managers of the index said on Friday.

Five Jardine companies traded on the Hong Kong exchange are dropping their listings after a dispute with the exchange over listing rules.

Beginning on Nov. 1, Amey Properties Ltd., Guangdong Investment Ltd., Johnson Electric Holdings Ltd. and Oriental Press Group Ltd., publisher of Hong Kong's largest-circulation Chinese newspaper, will join the Hang Seng index.

They will replace Jardine Matheson Holdings Ltd. and Jardine Strategic Holdings Ltd., which will drop their listings in December.

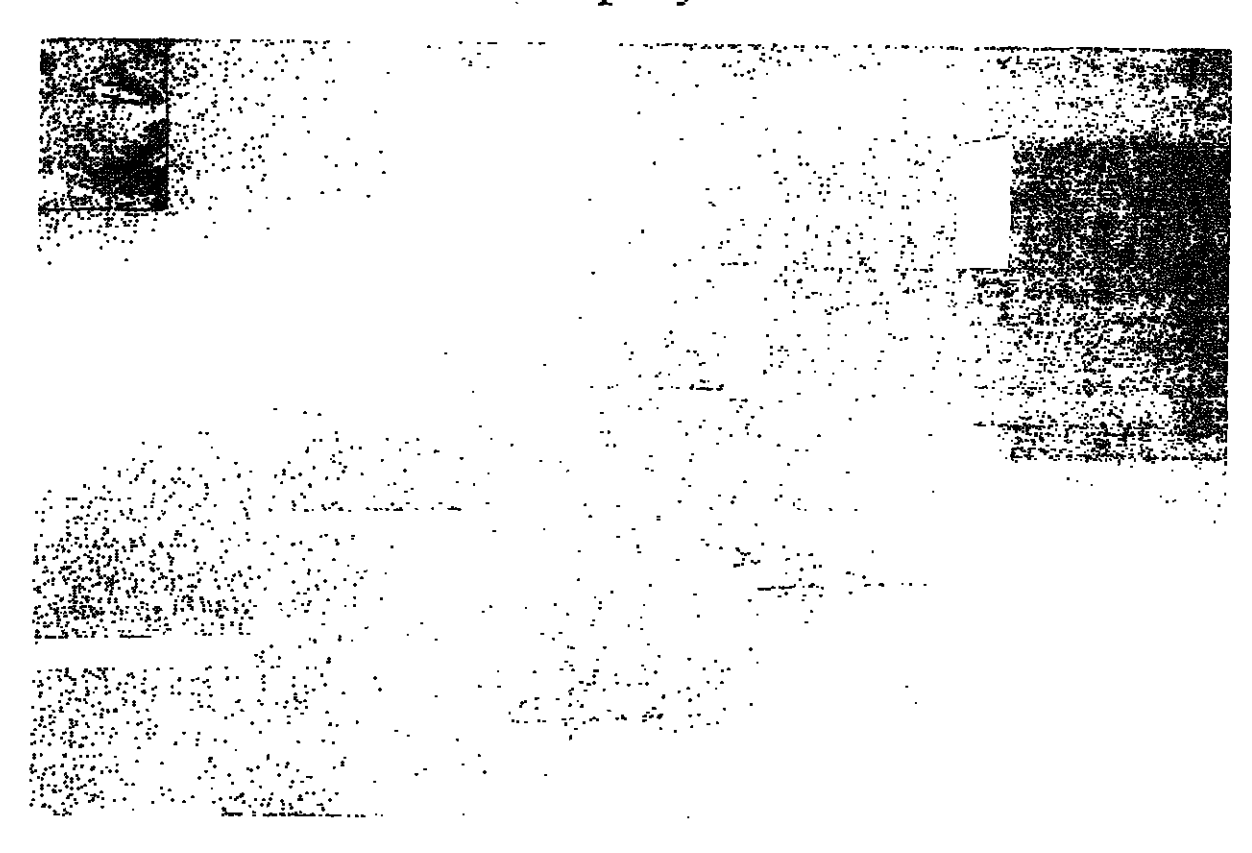
Three more companies — the hotel group Shangri-La Asia Ltd., the property developer Sino Land Co. and South China Morning Post (Holdings) Ltd., publishers of Hong Kong's top-selling English newspaper, will be listed on Feb. 28.

CURRENCY & INTEREST RATES

Cross Rates	Sept. 23
Amsterdam	1.72 2.73 1.20 0.278 0.111
Brussels	1.72 2.73 1.20 0.278 0.111
Frankfurt	1.72 2.73 1.20 0.278 0.111
London (1)	1.72 2.73 1.20 0.278 0.111
Madrid	1.72 2.73 1.20 0.278 0.111
Milan	1.72 2.73 1.20 0.278 0.111
New York (2)	1.72 2.73 1.20 0.278 0.111
Paris	1.72 2.73 1.20 0.278 0.111
Tokyo	1.72 2.73 1.20 0.278 0.111
Zurich	1.72 2.73 1.20 0.278 0.111

Eurocurrency Deposits	Sept. 22
1 month	4.00 4.00
3 months	4.00 4.00
6 months	4.00 4.00
1 year	4.00 4.00

Discretion is a virtue, profit is a must.



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MARKET DIARY

Shares Held Hostage
Fears of Fed Move

By Our Staff From Dispatches

SINCE NEW YORK — U.S. stocks fell for a fourth straight day on a combination of factors, including a rise in Treasury bond yields, a hike in the Federal Reserve's discount rate, and a move by the Federal Reserve to raise its policy-making committee's target rate.

The Dow Jones industrial average fell 17.75 points, or 0.11 percent, to 3,000.15. The S&P 500 index fell 1.14 points, or 0.11 percent, to 2,311.15. The Nasdaq composite index fell 1.14 points, or 0.11 percent, to 1,111.15.

The Dow Jones industrial average fell 17.75 points, or 0.11 percent, to 3,000.15. The S&P 500 index fell 1.14 points, or 0.11 percent, to 2,311.15. The Nasdaq composite index fell 1.14 points, or 0.11 percent, to 1,111.15.

MARKETS: Dollar Meanders

Continued from Page 9

The dollar meandered in a narrow range, with a slight uptick in the late afternoon. The dollar index, which measures the dollar's value against a basket of major currencies, rose 0.01 points to 100.01.

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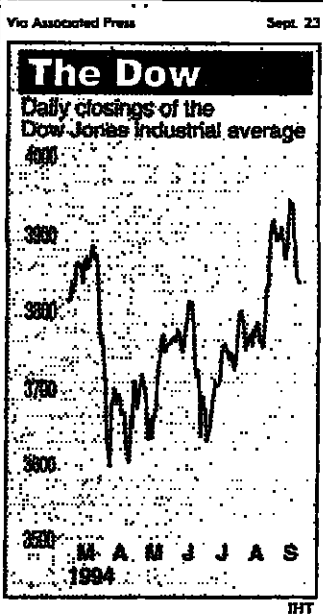
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THE DOW JONES INDUSTRIAL AVERAGE

Source: Standard & Poor's

NYSE Most Active

NYSE Most Active

NYSE Most Active

NYSE Most Active

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NYSE Most Active

NYSE Most Active

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NYSE Most Active

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Dow Jones Averages

Open High Low Close

Indus 3000.15 3000.15 3000.15 3000.15

Trans 1000.00 1000.00 1000.00 1000.00

Comp 1000.00 1000.00 1000.00 1000.00

Standard & Poor's Indexes

High Low Close

Indus 2311.15 2311.15 2311.15 2311.15

Trans 1000.00 1000.00 1000.00 1000.00

Comp 1000.00 1000.00 1000.00 1000.00

NYSE Indexes

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NASDAQ Indexes

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AMEX Stock Index

High Low Close

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Dow Jones Bond Averages

High Low Close

Indus 1000.00 1000.00 1000.00 1000.00

Trans 1000.00 1000.00 1000.00 1000.00

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NYSE Diary

High Low Close

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NASDAQ Diary

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AMEX Diary

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Spot Commodities

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NYSE

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NASDAQ

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NYSE

High Low Close

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NASDAQ

High Low Close

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AMEX

High Low Close

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NYSE

High Low Close

Indus 1000.00 1000.00 1000.00 1000.00

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NASDAQ

High Low Close

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EUROPEAN FUTURES

Open High Low Close

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Trans 1000.00 1000.00 1000.00 1000.00

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Standard & Poor's Indexes

High Low Close

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NYSE Indexes

High Low Close

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STAINES
NATIONAL

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Minerals a Tonic As BHP Profit Advances 18%

Compiled by Our Staff From Dispatches

SYDNEY — Broken Hill

Pty. said Friday that a sharp

rise in minerals earnings helped

to raise net profit 18 percent in

the three months to Aug. 31.

BHP, the biggest company in

Australia, said net profit in its

first quarter jumped to 372.5

million Australian dollars (\$274

million) as all divisions lifted

their contributions except ser-

vice companies, where profits

eroded, and the corporate sector,

where losses widened.

The figure compared with net

profit of 316.1 million dollars for

the like period a year earlier.

BHP said its minerals division

contributed 227.4 million dollars

after tax profit, up 50 percent

from the year-ago period.

BHP shares closed at 19.74

dollars, down 14 cents, on the

Australian Stock Exchange be-

cause investors expected a result

closer to 400 million dollars.

Profit was aided by a 9 per-

cent increase in sales, to 4.39

billion dollars.

BHP also increased its first-

half dividend to 24 cents a share

from 21 cents. "That's a very

strong signal it's going to be a

good year," said Tim Gerard,

an analyst at Prudential Bache

Securities.

Analysts said the result put

the company on track to earn a

record net profit of more than

1.5 billion dollars in the year to

May 31, up almost 20 percent

from 1993-94.

The consolidation of the Ok

Tedi copper mine in Papua New

Guinea, rising copper prices and

shipments because of the mine

and mill expansion at the Escondido

mine in Chile were major

contributors to the profit, the

company said.

BHP said the steel sector's

profit of 139.5 million dollars,

barely above the previous year,

was marred by repairs and the

recommissioning of a metal

coating line at its New Zealand

operations and disruptions to

coal production.

But all of the Australian steel

units recorded better results

and domestic sales continue to

increase, reaching a five-year

high of 1.12 million metric tons

for the quarter.

It blamed reduced profit

margins at its transport opera-

tions and lower results from

insurance for a drop in profit by

the service companies, to 10.9

million dollars from 18.7 mil-

lion dollars.

Losses on intracorporate

transactions by BHP's treasury

operations were the major fac-

tor in a widening of the corpo-

rate loss, which widened to 39.2

million dollars from 15.9 mil-

lion dollars.

Profit from the petroleum di-

vision rose 7 percent to 143.3

million dollars, reflecting an

improved contribution from

BHP's Hawaii operations and

increased sales volumes for

most products.

"The improved result was

achieved despite lower realized

U.S. dollar oil prices and a

higher Australian-U.S. dollar

exchange rate," the company

said. (Bloomberg, Reuters, AFP)

Vietnam's Comecon Card

Hanoi Revives East European Links

Reuters

HANOI — Despite a hefty debt burden

and not much investment money in the bank,

Vietnam and ex-Communist countries of

Eastern Europe are starting to forge new

relationships on the back of old friendships.

Vietnam remains Communist-ruled but is

grafting a market economy onto its old com-

mand system, and the new relations with

Eastern Europe are not political.

"These relations will be based on totally

new foundations, mutual benefit and equal-

ity," said Nguyen Van Khieu, in charge of

relations with Eastern Europe and ex-Soviet

Central Asia at the Foreign Ministry. "It's not

the way it was before."

The Vietnamese say both sides have agreed

not to let Hanoi's debts stand in the way.

"The governments have agreed that the

debt issue will not affect bilateral relations,"

Mr. Khieu said.

New links will be based on increased trade

and, Hanoi hopes, investment flowing from

the old East bloc into Vietnam.

Shipping, transport, construction, clothing

and other light industry, food processing and

possibly petroleum exploration are some of

the areas in which deals may emerge.

Hanoi had close economic and political ties

with Eastern Europe under the Comecon

trade group, which was based in Moscow and

now no longer exists.

But the old friendships marked time after

Communist regimes in Eastern Europe fell in

1989 and 1990 and democratically elected

governments took power.

While these governments were finding their

bearings, Vietnam was busy building up its

links with non-Communist Asia and the West.

Now, both sides are ready to revive rela-

tions on the basis of old political capital,

which includes thousands of Vietnamese offi-

cial and professionals trained in Budapest,

Warsaw, Prague or Bucharest and 30,000 stu-

dents, workers and traders still living in East-

ern Europe.

Hanoi set the ball rolling with a tour last

month by Deputy Prime Minister Tran

Due Luong to Hungary, Romania, Poland

and the Czech and Slovak republics.

It uncovered prospects for trade, which

sagged to \$50 million last year from \$200

million in the late 1980s.

Mr. Luong signed agreements on invest-

ment promotion and protection with Hun-

gary, Romania and Poland, on avoidance of

double taxation with Hungary and Poland,

and on trade with the Czech republic.

The importance of the visit was that he

prepared a new legal foundation for new

cooperation and relations in the future," Mr.

Khieu said.

The problem of debt has dogged Vietnam's

relations with its former allies in Comecon.

But the amount it owes the East European

countries amounts to only about 5 percent of

its debt to Moscow and looms less large in

overall relations.

Vietnam owes Poland only \$7 million to \$8

million, for instance, Polish diplomats said.

Since 1992, Vietnam has serviced its debt to

the East Europeans in kind, mainly coffee,

rubber and other agricultural products.

"In general, the debt question is under con-

sideration in a spirit of mutual understanding

and friendship," Mr. Khieu said. With Hun-

gary, for instance, plans are afoot for part of

a debt incurred for construction of a light-bulb

factory in Vietnam to be written off in ex-

change for equity in the company.

Lack of East European capital for invest-

ment is a major problem in building a new

economic relationship. The region counts for

a tiny 0.3 percent of the total \$10 billion

pledged in foreign investment to Vietnam

since 1988.

Thousands of Vietnamese

officials were trained in

Budapest, Warsaw, Prague

or Bucharest and 30,000

Vietnamese still live in

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Thai Brokers Sell Themselves Short for a Chance to Be Banks

Bloomberg Business News

BANGKOK — Thai brokerage houses are

selling hundreds of millions of dollars worth

of shares to their current stockholders at far

less than their market value in an effort to

meet capital requirements to qualify for commercial

banking licenses. Analysts said Friday this

trend could shake up both the stock market and

the financial industry.

In the past six weeks, four of Thailand's five

largest nonbank financial conglomerates have

announced deep-discount equity sales.

Combined, the sales will raise more than 15

billion baht (\$601 million). The new stock is

being offered at one-third, one-fifth, even

one-tenth of the market price.

"Thai investors take these deep discount sales

for granted," said Gerard Kruihof, research

manager for Peregrine Nithi Finance & Securities

Pte. "In Europe, rights issues are usually

negative indicators about a company."

In the case of the Thai finance companies —

Finance One PLC, Phatra Thanakit Co., National

Finance & Securities PLC and Dhana Siam

Finance & Securities Co. — there is no sign any

of them is in trouble. Each posted record earn-

ings the first half of the year.

The central bank has said that within two

years, it will issue about five new commercial

banking licenses to domestic finance companies.

To qualify, the companies must meet the tentative

qualification of 2.5 billion baht worth of

registered capital, a requirement that could be

raised to 5 billion baht. The companies must also

split their finance and securities divisions into

separate companies to qualify.

The main attraction of being a commercial

bank is the ability to take deposits, something

that finance companies can not do. That can be

a big advantage in funding operations. But the

huge capital increases will absorb a lot of money

from the rest of the stock market, which has an

average daily turnover of about 10 billion baht.

"That money has to come from somewhere,"

Mr. Kruihof, of Peregrine Nithi Finance & Securities

PLC. "Meaning from other stocks, in some cases."

The flood of rights issues is nothing surprising

for anyone who has followed the gradual liberal-

ization of Thailand's financial industry, said

Asoke Wongcha-um, executive vice president of

Phatra Thanakit Co.

"Finance and securities companies can use the

new money for business expansion, while putting

their balance sheets in place for the transition to

commercial banks," he said.

Phatra Thanakit was the first major brokerage

and lending conglomerate to announce its plans.

Beginning Sept. 26, shareholders will be able to

buy four shares for every one they own, each for

10 baht. Phatra Thanakit shares are trading at

about 1100 baht each.

Mr. Asoke said the sale is "basically fair to

everybody because existing shareholders will

maintain pretty much the same percentage of

ownership."

NYSE

Friday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

12 Month High Low Stock Div Yld PE Ratio

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio
100.00	90.00	IBM	3.00	3.00	15.00
120.00	110.00	Microsoft	0.00	0.00	20.00
150.00	140.00	Apple	0.00	0.00	25.00
180.00	170.00	Oracle	0.00	0.00	30.00
200.00	190.00	Sun	0.00	0.00	35.00
220.00	210.00	Novell	0.00	0.00	40.00
240.00	230.00	Lotus	0.00	0.00	45.00
260.00	250.00	Intuit	0.00	0.00	50.00
280.00	270.00	Adobe	0.00	0.00	55.00
300.00	290.00	McAfee	0.00	0.00	60.00
320.00	310.00	VeriSign	0.00	0.00	65.00
340.00	330.00	Comcast	0.00	0.00	70.00
360.00	350.00	Time Warner	0.00	0.00	75.00
380.00	370.00	AT&T	0.00	0.00	80.00
400.00	390.00	Verizon	0.00	0.00	85.00
420.00	410.00	WorldCom	0.00	0.00	90.00
440.00	430.00	Sprint	0.00	0.00	95.00
460.00	450.00	Qwest	0.00	0.00	100.00
480.00	470.00	Southwest	0.00	0.00	105.00
500.00	490.00	Delta	0.00	0.00	110.00
520.00	510.00	American	0.00	0.00	115.00
540.00	530.00	United	0.00	0.00	120.00
560.00	550.00	Southwest	0.00	0.00	125.00
580.00	570.00	Delta	0.00	0.00	130.00
600.00	590.00	American	0.00	0.00	135.00
620.00	610.00	United	0.00	0.00	140.00
640.00	630.00	Southwest	0.00	0.00	145.00
660.00	650.00	Delta	0.00	0.00	150.00
680.00	670.00	American	0.00	0.00	155.00
700.00	690.00	United	0.00	0.00	160.00
720.00	710.00	Southwest	0.00	0.00	165.00
740.00	730.00	Delta	0.00	0.00	170.00
760.00	750.00	American	0.00	0.00	175.00
780.00	770.00	United	0.00	0.00	180.00
800.00	790.00	Southwest	0.00	0.00	185.00
820.00	810.00	Delta	0.00	0.00	190.00
840.00	830.00	American	0.00	0.00	195.00
860.00	850.00	United	0.00	0.00	200.00
880.00	870.00	Southwest	0.00	0.00	205.00
900.00	890.00	Delta	0.00	0.00	210.00
920.00	910.00	American	0.00	0.00	215.00
940.00	930.00	United	0.00	0.00	220.00
960.00	950.00	Southwest	0.00	0.00	225.00
980.00	970.00	Delta	0.00	0.00	230.00
1000.00	990.00	American	0.00	0.00	235.00
1020.00	1010.00	United	0.00	0.00	240.00
1040.00	1030.00	Southwest	0.00	0.00	245.00
1060.00	1050.00	Delta	0.00	0.00	250.00
1080.00	1070.00	American	0.00	0.00	255.00
1100.00	1090.00	United	0.00	0.00	260.00
1120.00	1110.00	Southwest	0.00	0.00	265.00
1140.00	1130.00	Delta	0.00	0.00	270.00
1160.00	1150.00	American	0.00	0.00	275.00
1180.00	1170.00	United	0.00	0.00	280.00
1200.00	1190.00	Southwest	0.00	0.00	285.00
1220.00	1210.00	Delta	0.00	0.00	290.00
1240.00	1230.00	American	0.00	0.00	295.00
1260.00	1250.00	United	0.00	0.00	300.00
1280.00	1270.00	Southwest	0.00	0.00	305.00
1300.00	1290.00	Delta	0.00	0.00	310.00
1320.00	1310.00	American	0.00	0.00	315.00
1340.00	1330.00	United	0.00	0.00	320.00
1360.00	1350.00	Southwest	0.00	0.00	325.00
1380.00	1370.00	Delta	0.00	0.00	330.00
1400.00	1390.00	American	0.00	0.00	335.00
1420.00	1410.00	United	0.00	0.00	340.00
1440.00	1430.00	Southwest	0.00	0.00	345.00
1460.00	1450.00	Delta	0.00	0.00	350.00
1480.00	1470.00	American	0.00	0.00	355.00
1500.00	1490.00	United	0.00	0.00	360.00
1520.00	1510.00	Southwest	0.00	0.00	365.00
1540.00	1530.00	Delta	0.00	0.00	370.00
1560.00	1550.00	American	0.00	0.00	375.00
1580.00	1570.00	United	0.00	0.00	380.00
1600.00	1590.00	Southwest	0.00	0.00	385.00
1620.00	1610.00	Delta	0.00	0.00	390.00
1640.00	1630.00	American	0.00	0.00	395.00
1660.00	1650.00	United	0.00	0.00	400.00
1680.00	1670.00	Southwest	0.00	0.00	405.00
1700.00	1690.00	Delta	0.00	0.00	410.00
1720.00	1710.00	American	0.00	0.00	415.00
1740.00	1730.00	United	0.00	0.00	420.00
1760.00	1750.00	Southwest	0.00	0.00	425.00
1780.00	1770.00	Delta	0.00	0.00	430.00
1800.00	1790.00	American	0.00	0.00	435.00
1820.00	1810.00	United	0.00	0.00	440.00
1840.00	1830.00	Southwest	0.00	0.00	445.00
1860.00	1850.00	Delta	0.00	0.00	450.00
1880.00	1870.00	American	0.00	0.00	455.00
1900.00	1890.00	United	0.00	0.00	460.00
1920.00	1910.00	Southwest	0.00	0.00	465.00
1940.00	1930.00	Delta	0.00	0.00	470.00
1960.00	1950.00	American	0.00	0.00	475.00
1980.00	1970.00	United	0.00	0.00	480.00
2000.00	1990.00	Southwest	0.00	0.00	485.00
2020.00	2010.00	Delta	0.00	0.00	490.00
2040.00	2030.00	American	0.00	0.00	495.00
2060.00	2050.00	United	0.00	0.00	500.00
2080.00	2070.00	Southwest	0.00	0.00	505.00
2100.00	2090.00	Delta	0.00	0.00	510.00
2120.00	2110.00	American	0.00	0.00	515.00
2140.00	2130.00	United	0.00	0.00	520.00
2160.00	2150.00	Southwest	0.00	0.00	525.00
2180.00	2170.00	Delta	0.00	0.00	530.00
2200.00	2190.00	American	0.00	0.00	535.00
2220.00	2210.00	United	0.00	0.00	540.00
2240.00	2230.00	Southwest	0.00	0.00	545.00
2260.00	2250.00	Delta	0.00	0.00	550.00
2280.00	2270.00	American	0.00	0.00	555.00
2300.00	2290.00	United	0.00	0.00	560.00
2320.00	2310.00	Southwest	0.00	0.00	565.00
2340.00	2330.00	Delta	0.00	0.00	570.00
2360.00	2350.00	American	0.00	0.00	575.00
2380.00	2370.00	United	0.00	0.00	580.00
2400.00	2390.00	Southwest	0.00	0.00	585.00
2420.00	2410.00	Delta	0.00	0.00	590.00
2440.00	2430.00	American	0.00	0.00	595.00
2460.00	2450.00	United	0.00	0.00	600.00
2480.00	2470.00	Southwest	0.00	0.00	605.00
2500.00	2490.00	Delta	0.00	0.00	610.00
2520.00	2510.00	American	0.00	0.00	615.00
2540.00	2530.00	United	0.00	0.00	620.00
2560.00	2550.00	Southwest	0.00	0.00	625.00
2580.00	2570.00	Delta	0.00	0.00	630.00
2600.00	2590.00	American	0.00	0.00	635.00
2620.00	2610.00	United	0.00	0.00	640.00
2640.00	2630.00	Southwest	0.00	0.00	645.00
2660.00	2650.00	Delta	0.00	0.00	650.00
2680.00	2670.00	American	0.00	0.00	655.00
2700.00	2690.00	United	0.00	0.00	660.00
2720.00	2710.00	Southwest	0.00	0.00	665.00
2740.00	2730.00	Delta	0.00	0.00	670.00
2760.00	2750.00	American	0.00	0.00	675.00
2780.00	2770.00	United	0.00	0.00	680.00
2800.00	2790.00	Southwest	0.00	0.00	685.00
2820.00	2810.00	Delta	0.00	0.00	690.00
2840.00	2830.00	American	0.00	0.00	695.00
2860.00	2850.00	United	0.00	0.00	700.00
2880.00	2870.00	Southwest	0.00	0.00	705.00
2900.00	2890.00	Delta	0.00	0.00	710.00
2920.00	2910.00	American	0.00	0.00	715.00
2940.00	2930.00	United	0.00	0.00	720.00
2960.00	2950.00	Southwest	0.00	0.00	725.00
2980.00	2970.00	Delta	0.00	0.00	730.00
3000.00	2990.00	American	0.00	0.00	735.00
3020.00	3010.00	United	0.00	0.00	740.00
3040.00	3030.00	Southwest	0.00	0.00	745.00
3060.00	3050.00	Delta	0.00	0.00	750.00
3080.00	3070.00	American	0.00	0.00	755.00
3100.00	3090.00	United	0.00	0.00	760.00
3120.00	3110.00	Southwest	0.00	0.00	765.00
3140.00	3130.00	Delta	0.00	0.00	770.00
3160.00	3150.00	American	0.00	0.00	775.00
3180.00	3170.00	United	0.00	0.00	780.00
3200.00	3190.00	Southwest	0.00	0.00	785.00
3220.00	3210.00	Delta	0.00	0.00	790.00
3240.00	3230.00	American	0.00	0.00	795.00
3260.00	3250.00	United	0.00	0.00	800.00
3280.00	3270.00	Southwest	0.00	0.00	805.00
3300.00	3290.00	Delta	0.00	0.00	810.00
3320.00	3310.00	American	0.00	0.00	815.00
3340.00	3330.00	United	0.00	0.00	820.00
3360.00	3350.00	Southwest	0.00	0.00	825.00
3380.00	3370.00	Delta	0.00	0.00	830.00
3400.00	3390.00	American	0.00	0.00	835.00
3420.00	3410.00	United	0.00	0.00	840.00
3440.00	3430.00	Southwest	0.00	0.00	845.00
3460.00	3450.00	Delta	0.00	0.00	850.00
3480.00	3470.00	American	0.00	0.00	855.00
3500.00	3490.00	United	0.00	0.00	860.00
3520.00	3510.00	Southwest	0.00	0.00	865.00
3540.00	3530.00	Delta	0.00	0.00	870.00
3560.00	3550.00	American	0.00	0.00	875.00
3580.00	3570.00	United	0.00	0.00	880.00
3600.00	3590.00	Southwest	0.00	0.00	885.00
3620.00	3610.00	Delta	0.00	0.00	890.00
3640.00	3630.00	American	0.00	0.00	895.00
3660.00	3650.00	United	0.00	0.00	900.00
3680.00	3670.00	Southwest	0.00	0.00	905.00
3700.00	3690.00	Delta	0.00	0.00	910.00
3720.00	3710.00	American	0.00	0.00	915.00
3740.00	3730.00	United	0.00	0.00	920.00
3760.00	3750.00	Southwest	0.00	0.00	925.00
3780.00	3770.00	Delta	0.00	0.00	930.00
3800.00	3790.00	American	0.00	0.00	935.00
3820.00	3810.00	United	0.00	0.00	940.00
3840.00	3830.00	Southwest	0.00	0.00	945.00
3860.00	3850.00	Delta	0.00	0.00	950.00
3880.00	3870.00	American	0.00	0.00	955.00
3900.00	3890.00	United	0.00	0.00	960.00
3920.00	3910.00	Southwest	0.00	0.00	965.00
3940.00	3930.00	Delta	0.00	0.00	970.00
3960.00	3950.00	American	0.00	0.00	975.00
3980.00					

FIRST COLUMN

A Worry That Wakes People Up

IT IS ONE of those worries that, every now and then, tends to rear its head at about 3 o'clock in the morning. It works its way up from the depths of the subconscious until it forces you to open your eyes, stare at the ceiling, and look it squarely in the eye.

It prefers to wait until its prey has had at least 40 birthdays. And when it strikes, it can send chills up the spine.

It is not the fear of growing old. It is the fear of growing old and having no money.

This week's report on pension funds, which analyzes the topic of retirement income from a variety of perspectives, appears at a time when the subject of shrinking resources — both financial and environmental — has commanded the world's attention. The International Conference on Population and Development, for example, held earlier this month in Cairo, reaffirmed that overpopulation is a crisis that threatens the well-being of not just those in developing countries, where upward population growth curves remain steep, but of everyone.

Less discussed in Cairo, and a topic covered in this report, is a crisis of a slightly different nature, one expected to hit hardest at industrialized countries. It concerns the percentage of the world's population that will be coming into retirement age in the next century.

A fundamental problem for OECD countries, most of which currently have declining birth rates, is that there will be more and more people taking money out of corporate pension funds and national social-security systems, and fewer and fewer people putting money in. Many developed nations have recognized the brewing trouble, but anything resembling a solution has thus far been hard to come by.

Investors, therefore, might be wise to take the prudent path: Start saving for retirement as early as possible; and don't count on national social-security plans that might not always be there.

Waking up to these realities might help you sleep a little better.

P.C.

Not-So-Stodgy Pension Funds Catch Up With the 'Going Global' Times

By Iain Jenkins

ARE PENSION FUNDS looking after your retirement properly? Will you be able to buy that house in the country you've dreamed about? What about those holidays?

Much depends on the way pension funds allocate your assets. And in this area of investing, a quiet revolution is taking place.

Ten years ago, most pensioners were being paid from the profits of domestic investments in bonds and, to some extent, in equities. Today, global pension funds are increasingly looking to international equity investments, especially those in emerging and offshore markets.

The sums involved are enormous. Since 1991, U.S. pension funds alone have doubled their exposure to overseas investment to 8 percent. And the trend appears set to continue. Greenwich Associates, a Connecticut-based investment consultancy, forecasts that foreign assets in U.S. pension funds will reach 12 percent within two and a half years.

"There has been a big drive into international assets," said Roger Smith, a partner at Greenwich Associates. "U.S. pension funds could eventually finish up with between 20 and 25 percent overseas. And equities, including domestic ones, could make up 70 percent of their assets."

What makes these changes so significant? Only twenty years ago, for example, most U.S. pension funds had their assets split fairly evenly between U.S. bonds and equities. Now, say observers, as much as \$30 billion annually could flow from U.S. pension funds into foreign stocks.

In many other countries, the scale of the shift in assets is even more remarkable. In Holland, Switzerland and Germany, for example, pension funds have traditionally focused on domestic bonds. Now, they are joining the rush overseas. Dutch pension funds invested 15 percent of their assets outside Holland last year.

Gunter Ecklebe, director of international asset consulting at Frank Russell Co., a U.S. actuarial firm, said that the trend is toward a gradual internationalization of assets. "We already have clients with over 15 percent overseas," he said. "And for some, we expect that to increase to 20 percent by the end of the century. Some clients are even looking at going as high as 30 percent."

One key to understanding the drive into overseas equities, say observers, is that,

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historically, equities have performed better than bonds. According to Chicago-based Ibbotson Associates, long-term U.S. government bonds earned a compound annual return of 5.02 percent between 1925 and 1993, while large-cap equities returned 10.33 percent and small-cap equities returned 12.36 percent.

The long-term dominance of equities was a trend that U.K. pension funds discovered in the 1960s, when Britain was dealing with an annual inflation rate of over 25 percent. Today, the British pension industry, the third largest in the world with assets of \$814 billion, has 80 percent of its assets in equities. Moreover, 28 percent of British pension-fund capital is invested outside Britain.

Gordon Bagot, research director at the Edinburgh-based pension consultancy WM Company, said: "Equities have always delivered far better returns. In the 60s and 70s they were the only thing that gave any protection against a British inflation rate of 25 percent. U.S. pension funds didn't have the same inflation worries."

Some analysts feel that the reasons for the push into overseas and offshore markets are more complex. "Greed, or the search for higher returns overseas, is important," said David Booker, managing director of global research at InterSec Research Corp., a U.S. pension consultancy. "But it is not the only reason for the internationalization of the U.S. pension industry. They are also hoping to reduce their risk."

Indeed, while emerging- and offshore-market investing might strike some as inherently risky, the Nobel Prize-winning economists Harry Markowitz and Bill Sharpe have argued that by investing in asset classes that behave differently from each other — no matter what or where they are — risk can be reduced.

A simplistic but graphic example is the behavior of different groups of assets after the post-World War II oil-price shocks. Equities plunged but anyone owning gold or oil assets made out well. In a somewhat similar way, pension funds hope that by

investing overseas they can reduce the risks of domestic setbacks.

Ironically, some pioneers of British pension-fund equity investment are moving out of equities. Andrew Wilson of the London-based actuarial firm Watsons said that in the United Kingdom, "there will be a gradual switch from equity to fixed-income over the next 10 years."

Mr. Wilson's view is partly due, he said, to a feeling that equities can't repeat their performance of the past 10 years. It is also due, he added, to the mature structure of the British pension fund industry and to regulatory changes that are persuading managers to take fewer risks.

But Mr. Ecklebe at Frank Russell Co. took a more sanguine view on the idea of diminishing risk with global equities, specifically in regard to U.S. investors. "There is always the risk that in the short-term you might have got the timing wrong," he said. "But in the long run, we believe that by investing in a basket of securities that move independently from the U.S. market, you have an aggregate reduction in risk."

Some analysts say that the rush overseas is likely to become a "virtuous circle," particularly in the emerging markets. In other words, attempts by major U.S. pension fund groups to buy significant holdings in some markets have the potential to drive up prices in general.

Such possibilities, many add, combined with the high economic growth rates forecast for most developing nations, mean that emerging markets should outperform developed markets over the next decade.

Global Pension Funds

Pension fund assets in billions of dollars.

	Pension fund assets			% invested abroad		
	1988	1993	1998 est.	1988	1993	1998 est.
United States	\$2,085.0	\$3,850	\$5,470.0	3.0	7.2	11.5
Japan	522.0	1,022	1,600.0	6.3	9.0	12.0
Britain	456.0	814	1,050.0	18.7	28.0	28.0
Canada	145.0	350	350.0	6.1	10.3	16.0
Netherlands	178.0	245	340.0	9.5	15.2	21.1
Switzerland	129.0	201	310.0	4.0	8.6	11.6
Germany	75.0	118	165.0	3.8	4.5	5.1
Australia	44.0	80	145.0	9.8	15.4	19.4
Sweden	54.0	78	120.0	—	1.1	6.0
Denmark	27.8	52	85.0	0.4	5.7	8.7
France	16.0	44	60.0	1.0	3.5	6.0
Hong Kong	7.0	23	67.0	62.1	56.5	61.1
Ireland	8.0	15	23.0	23.0	30.0	30.0
Belgium	5.3	9	15.0	29.0	33.0	35.0
Norway	3.7	6	8.3	—	—	2.5
Rest of the World	125.0	250	303.0	5.3	8.2	12.2
Total	3,880.8	6,857	9,808.5			

Source: Inter Sec Research Corp.

What Do Fund Trackers Pick for Their Own Pensions?

IT IS the business of fund-rating concerns such as Chicago-based Morningstar and London-based Mirocra to know which funds are performing well, which are not, and why. These companies and the people who run them, moreover, have corporate and personal pension plans of their own.

Thus, a question that might pique the curiosity of many investors is the following: Which funds are the fund-raters themselves investing in?

Among the funds in Morningstar's employee-pension plan, says Morningstar Mutual Funds publisher Don Phillips, are the Vanguard Money Market

fund, for cash holdings, and T. Rowe Price's New Income bond fund. The Lindner Dividend fund is for more conservative income investors. Mr. Phillips said, while Fidelity's Disciplined Equity fund is an equity-index vehicle.

He added that Vanguard's World-International Portfolio offers international exposure, while the Gabelli Asset fund is a value play. The Selected American Shares fund, the PBHG Growth Fund, and Fidelity's Low-Price Stock Fund are also part of Morningstar's stable.

On the other side of the Atlantic, Mirocra chairman Chris Poll said he keeps his personal retirement money almost

exclusively in mutual funds and unit trusts. About 10 percent is invested in European funds such as Mercury's European Privatization fund and Baring's Emerging Europe fund.

While he also favors broad-based global plays like Templeton's Global Strategy fund, Mr. Poll said that about 15 percent of his retirement money is in regional funds such as Lazard's Latin America funds and Fleming's Far East fund. Slightly less is held in country-specific funds, including Genesis's Chile fund and Jardine Fleming's India fund.

—Baie Netzer

For Expatriates, a Barrage of Barriers

By Jack Anderson

EXPATRIATE EXECUTIVES might look at global retirement pension tables and wonder if they should start migrating towards Italy and Sweden rather than toward Venezuela, Taiwan or Korea, where there is no mandatory social security, savings or insurance system.

Of course, some countries face extreme financial pressure due to their generous retirement benefits, which are prompting discussions of private pension alternatives.

However, as most expatriates realize, all home and host countries with generous government or private benefits have created barriers of entry to full participation in retirement benefit programs, except for the stay-at-home executive.

"The significant problem for expatriates is that these barriers result in the expatriate executive coming to the end of his career," said Frank Burke, human resources director of Biogen Inc., the U.S. biotechnology firm. "All the pieces of his pension from the several countries he has worked in do not even equal the pension of his colleague who never left company headquarters."

Furthermore, such an expatriate pension would be in several currencies, with each separate pension subject to various and conflicting host country laws. Indeed, most expatriates lose twice: in the home country, as well as in the host country, and that is challenging the mobility of executives.

For example, an expatriate who, without planning, worked for 9 years with a U.S. employer, then 9 years with a French employer, and finally 19 years in Asia for a Japanese employer, would receive no public retirement pension from these 3 countries.

The barriers to these countries' public retirement pension systems involve minimum periods of local employment, mandatory periods of local employment for a full pension (40 years in France, 50 years in the U.K. and at least 35 years in Japan), and limitations on the individual and corporate tax deductibility of private contributions for expatriate executives.

Of course, there have been attempts to eliminate these barriers, but they have generally only been effective for short-term (five year or less) expatriate assignments.

But even if the assignment is short-term and measures were applied to help make the expatriate's pension whole, many new expatriate assignments place Americans and Europeans in Asia, which has few treaties on social security with the West.

For example, Japan has no social-security law treaties and neither does Korea. U.S. expatriates in Japan must make social-security contributions, along with their employer, to a Japanese system that will give them no benefits, unless they work more than 20 years in Japan. There are similar conditions for Japanese executives working in the States.

According to Bill Church of Ernst & Young in Tokyo: "In the case of the Japanese expatriate in the U.S., he will

receive no U.S. retirement benefit unless he works more than 10 years in the U.S. And he will see his full Japanese social security pension, which is as much as \$52,000 a year — compared to a maximum social security benefit in the United States of \$21,000 — decrease due to his expatriate assignment."

Again, due to the lack of a social-security treaty and inappropriate conditions in the income tax treaty, any voluntary contributions to the Japanese social-security system are additional taxable income in the States. And current company practices designed to meet these problems can create additional tax problems.

The lack of incentive to negotiate a social-security treaty is more understandable, from a Western point of view, in the case of Korea, which has no mandatory social-security system for nationals or expatriates. But not from the Korean expatriate executive's point of view who, for example, on an expatriate assignment to France, must pay into the French social-security system along with his employer.

But he will receive no retirement benefits from the French system unless he is in France for ten or more years (although he would receive medical and some other benefits). In the meantime, he has less after-tax income to provide for his private and only retirement income, and his company also has substantially less after-tax income to help him.

Furthermore, if his company tries to help him while he is in France, the French income- and social-tax authorities may demand additional income and employee and employer social-security taxes of up to 120 percent of the annual amount of the private contribution. And that is before the expatriate "gross-up" tax, which can triple this cost.

Conditions such as these will continue

to exist unless new agreements can be struck between nations that have an exchange of expatriate executives.

One might think that the profusion of U.S. treaties with Western countries has solved problems and guaranteed mobility for expatriates in the West. Unfortunately, that is not the case.

All of these treaties, directives, agreements and regulations rely on four key assumptions which, if not truly part of the picture, make the paper they are written on worthless to the protection of the expatriate executive. If a single one of these assumptions is not met, the special rules to protect an expatriate retirement generally do not apply:

• The first condition is that the expatriate's employer is astute enough to know that he has a retirement problem to resolve in order to secure the mobility of his expatriates. According to Edith Ringenbach, a human-resources consultant based in Brussels, "Many of the new expatriates are not from the downsizing, Fortune 500 companies, but from new multinationals which are putting their first expatriates on the global highway. And the company and the executive may not be aware of the sophisticated attempts to protect expatriates and they may stumble into the traps."

• The second assumption is that the expatriate is "seconded" or "detached" from the home country to the host country, and not "expatriated" to the host country. This is a question of legal jargon as well as of substance. If the executive does not maintain his links with the company in the home country and his assignment agreement is not carefully written, he may not benefit from the efforts designed to help him. This may have a negative impact on home country social security and private pension plans, as well as on increasing costs for the employee and the employer.

• The third and increasingly inappropriate assumption is that the expatriate executive is only on a short-term assignment for 2 to 5 years. Sean Dior, finance director of Slim-Fast Europe, the diet products company, states: "Many of the over 260,000 EU expatriates do not fit into this assumption according to a recent survey of EU executive mobility. Although cost efficiency may dictate a return to home base after 3 years, many assignments continue with the prior success breeding new challenges that only the experienced expatriate can solve."

• The fourth assumption is that there is a "home country employer." There may have been one when the assignment began, but perhaps another employment opportunity has been found in the host country. In such a case, even if the new employer is a multinational from the same country of origin, the paper designed to protect the wandering expatriate would be inapplicable. More frequently today, the initial job offer is for a local hire in the host country. Here again, there is no home-country employer and no applicable agreement.

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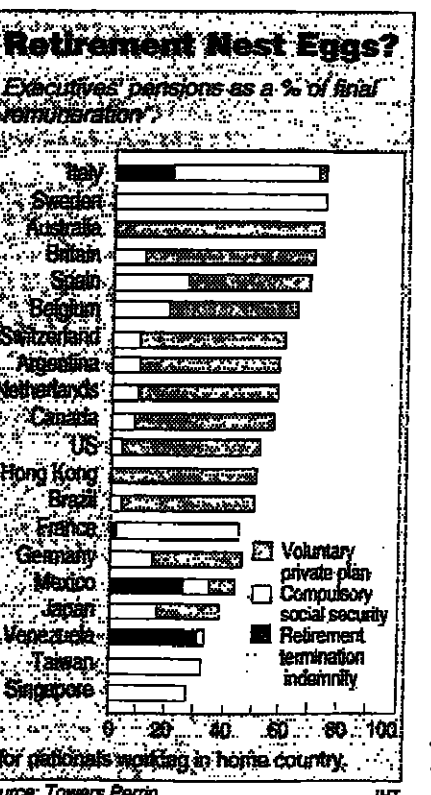
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THE MONEY REPORT

Popularity of IRAs Is 'Rolling Over' a New Leaf

By Judith Rehak

AMERICA'S Individual Retirement Account, viewed as dead and gone after its full tax-deductibility was removed for most investors in 1986, is alive and well.

What is more, the IRA business is thriving, even booming. At discount brokerage Charles Schwab & Co., 154,000 IRA accounts were opened in the first eight months of this year, a 16 percent leap over the same period in 1993.

During the first two weeks of April, investors racing to beat the April 15th deadline for annual IRA contributions poured a whopping \$500 million into their accounts at Fidelity Investments, the Boston fund giant, a 49 percent increase over the like period a year earlier. And Merrill Lynch & Co., which owns about 10 percent of the IRA marketplace, has seen a surge in its business in "rollovers," company pension plans that are "rolled" into IRAs.

The improving U.S. economy, moreover, has boosted the number of small, traditional IRAs coming in, according to John Michel, Merrill Lynch's vice president of individual retirement sales.

Once again, the force driving the IRA renaissance is a change in U.S. tax laws. As of the beginning of 1993, an employee leaving a company with a nest egg from its pension plan has been required to "roll over" that lump sum directly into another retirement account within 60 days, or face losing 20 percent of its value to pay future taxes.

The lucrative rollover marketplace, estimated at roughly \$100 billion, has set off a marketing war among IRA purveyors. Mutual fund marketing executives are rushing to eliminate or reduce fees to lure in rollovers, transfers from competitors, or brand-new accounts.

The IRA's "administration" fee, once a standard feature at about \$50 a year, is disappearing or dwindling to \$10 a year on smaller accounts, and is often marketed with no-load funds as an investment vehicle.

"Our One-Source mutual fund program attracted in excess of \$1 billion in the first quarter of this year, and the majority of it was related to our positioning of no-fee IRAs when the balance is over \$10,000,"

said Hugo Quackenbush, a senior vice president at Charles Schwab.

Fidelity dropped most of its annual IRA fees last year, and eliminated commissions on all but a few of its funds if they were purchased for a retirement account. Even the Vanguard Group, the big no-load fund manager that touts its rock-bottom management fees, has lowered or eliminated most administrative fees, conceding that competition had forced it to do so.

A second area of the IRA marketplace showing signs of life is the "non-deductible" IRA. Individuals who have a company pension plan, or who earn more than \$25,000 (if single) or \$40,000 (if married and filing a joint tax return), are not eligible for the maximum \$2,000 tax deduction, but they can still defer taxes.

"There's more of a recognition that tax deferral is very beneficial," said Mark Tulley, a vice president for retirement products at A.G. Edwards, a regional brokerage based in St. Louis, Missouri. "Folks see it as a nice way to save." Still, say other analysts, non-deductible IRAs can be a tough sell.

"Deductible is an immediate reward, while non-deductible means there's a reward down the line," says Stephen Sawtelle, a division manager with Weddell & Reed Financial Services in Hamden, CT. "You have to point out the power of deferred growth."

Such advice underscores a major trend in the saving-for-retirement business. Major brokerages and fund managers are getting into the "investor education" business in a big way. Full-service brokers and financial advisers charge fees for personalized service and specific advice on what to buy. Mutual fund groups like Fidelity, T. Rowe Price and Vanguard have sent out hundreds of thousands of free retirement "kits" with generic information, asset allocation suggestions and worksheets.

The interactive revolution has even hit the scene. Some fund managers and investment advisers are producing computer programs for the do-it-yourself investor.

"We've seen a significant amount of interest in our software that lets you do your own retirement scenario," said Jill Ward, a vice president with Fidelity's retirement products marketing group. Fidelity has filled 50,000 requests for its retirement-planning computer program in the past year.

Where the IRA Money Is

Distribution of individual retirement account assets.

	1991	1992	1993
Commercial banks	20.5	18.4	15.8
Thrifts	13.9	11.4	8.9
Life insurance companies	7.6	7.5	7.0
Credit unions	4.9	4.4	3.8
Mutual funds	25.7	28.9	33.1
Self-directed	27.5	30.1	31.6

(May not total 100 due to rounding)

Source: Mutual Fund Fact Book

ment-planning computer program in the past year.

While analysts say there's no denying that these efforts are also marketing ploys by those who are pursuing IRA business, there is also considerable evidence that investors could indeed use more advice on retirement investing.

Mutual fund companies and huge brokerages like Merrill Lynch, a major player in company retirement plans, have gained a foothold in the IRA rollover market because their funds are typically used for investing in company pension plans such as 401k vehicles. Increasingly, these groups are also providing seminars and other "exit" information for people leaving companies, showing them how to roll over their accounts without tax penalties.

But what of the investor who has no company pension plan and only an IRA to rely on? Financial advisers who work with individuals see a need for more professional advice. "One mistake is over-diversifying," said Mr. Sawtelle. "We've had examples of \$20,000 split up among 20 mutual funds. Every time a report comes out, in some newsletter or magazine, \$1,000 goes into the fund."

Another error, say some analysts, is putting IRA money into municipal bonds, whose already tax-free interest, ironically, becomes taxable when held in an IRA.

Most unfortunate, say purveyors of retirement accounts, are the millions of Americans who still need to get the IRA message. "Roughly 50 million Americans are still eligible for at least a partial deduction," said Miss Ward of Fidelity. "And a good number haven't taken advantage of it."

The survey also showed that over 215 U.S. life-insurance companies now offer some form of accelerated death benefit, including 21 of the 25 largest companies, an increase of 90 percent since a similar survey was carried out in 1991.

Lazard Launches Unit Trust That Targets U.K. Brewers

Lazard Investors, the London-based unit trust manager, has announced the imminent launch of the Lazard Brewers Investment Trust, which will invest principally in quoted equities of U.K. regional brewers, pub concerns and small companies engaged in the production or sale of drinks. Some U.K. beverage-sector analysts have said that the British brewing industry is ripe for earnings growth.

The fund's prospectus is expected to be published by the end of September. For further information, call Lazard on (44.71) 583.7271.

Next week in *The Money Report*: an inside look at insider trading.

Demographic Time Bomb Still Ticking

By Barbara Wall

PENSIONERS, quite naturally, expect their state pension rights to be honored. But as reserves diminish and the percentage of elderly citizens in the major industrialized economies escalates, economists fear that future generations of pensioners will be left to fend for themselves.

Elizabeth Harwick, a research analyst at S.G. Warburg Securities in London has recently completed a study on demographic trends. She notes that the over-65 age group currently represents just over 6 percent of the world's population but is projected to increase by over 50 percent to 8.7 percent by 2025.

"The problem is especially acute in industrialized countries, where the percentage of those over 65 has advanced from 7.6 percent in the 1950s to 12 percent in 1990," said Miss Harwick. "And it is projected to rise to 18.3 percent by 2025, almost twice the world average."

With less money going into the state pension kitty and more workers joining the old-age pension queue, it is difficult to see how social-security systems will cope, particularly in countries with generous benefits, observers say.

"Population projections show that the strain will be felt especially in Continental Europe and Japan, where the proportion of elderly people is expected to increase most rapidly," said Miss Harwick. "The U.K. and U.S. provide wide coverage in private pensions already, and it is likely that they will face less demographic pressure over the period from 1990 to 2010."

The rapidly rising number of retired people relative to the number of money earners — a statistic known as the "old-age dependency ratio" — may also affect the amount of available industrial labor.

"Past experience has shown that an economy grows when its labor force grows," said Russell Jones, chief interna-

Retirees' Swelling Ranks

Age 65 and over population as a percentage of total; percentage change 1990-2025.

	1950	1970	1990	1995	2000	2010	2025	% change
World	5.1	5.4	6.2	6.5	6.8	7.3	8.7	+58.5
More developed regions	7.6	9.5	12.0	12.9	13.5	14.4	18.3	+82.5
Britain	10.7	12.9	15.7	15.6	15.4	15.8	19.4	+23.6
Germany	9.7	13.7	14.6	14.8	15.4	18.0	20.5	+40.4
France	11.4	12.9	14.0	14.9	15.6	16.0	21.2	+51.4
Italy	8.3	10.9	14.1	15.6	17.0	18.9	22.3	+58.2
U.S.	8.1	9.8	12.6	12.6	12.3	12.8	18.5	+46.8
Canada	7.7	7.9	11.5	12.0	12.4	13.3	18.6	+61.7
Japan	4.9	7.1	11.7	13.9	16.2	20.1	24.4	+208.5

Source: United Nations

tional economist at the brokerage UBS Phillips and Drew in London. "And already, many governments are anticipating an inadequate supply of certain types of labor."

Among the OECD countries, governments are faced with serious budget deficits that will be exacerbated by increased government-pension liabilities. A recent OECD survey on current and future pension liabilities in industrialized economies showed that unfunded state-pension liabilities were highest in Italy and France. The survey also reported that state pension liabilities in the United States and Japan were partially offset by financial assets held in private pension programs.

The state pension expenditure ratio in OECD countries is expected to sharply increase between 1990 and 2040, the year in which the old-age dependency ratio reaches its peak. The survey noted that Italy shows the sharpest increase in the expenditure ratio — from 11 percent of GDP to almost 23 percent — in 2040. In France, the ratio is calculated to increase from 9 percent in 1990 to 15 percent at the peak.

"If governments intend to keep their debt levels within manageable propor-

tions something will clearly have to give," said Michael Hughes, an economist with the U.K.-based brokerage Barclays de Zoete Wedd. "Noises are being made, and the G7 governments are making a concerted effort to try and get people to save more."

In 1993, Italy placed limits on the availability of state pensions and introduced tax incentives to promote a personal pension sector. Meanwhile, the French government is now looking at legislation which would permit the establishment of new types of personal pension funds. "Legislators are also looking at increasing the pensionable age," commented Mr. Hughes. "Italy has already extended this by five years and the New Zealand government has bluntly stated that it will not be paying a pension until age 75."

Mr. Jones added: "Clearly, no one solution is ideal. People may have to get used to the idea that the aging population structure marks the demise of postwar welfare-state arrangements."

The Money Report is edited by Martin Baker

Mutual Funds Battling Insurance Sector in U.S.

By Baie Netzer

FEW WORKING Americans would argue that their Social Security benefits will provide a measurable financial cushion when they retire. Indeed, if current contribution and payout levels are maintained, according to some estimates, the system will be bankrupt by 2036.

As a result, more Americans are counting on their own savings and on their employer's pension plans to finance their retirements. Experts say, moreover, that aggressive marketing efforts by mutual fund companies is winning business away from insurance companies, which have been a traditional provider of pension-oriented products.

Today, about 23 percent of all U.S. mutual-fund assets are held in some form of retirement account, according to the Investment Company Institute, the trade association for the U.S. mutual-fund industry. And of the \$857 billion invested in Individual Retirement Accounts, known as IRAs, over one-third is controlled by fund companies.

By marketing administrative services for the complex plans of large employers, these same companies have also managed to increase their share of private-trustee plans to 4.2 percent from 1.6 percent in 1983.

While that percentage may sound low, it is not insignificant given the size of the private plan arena: an estimated \$2.4 trillion.

Indeed, according to a survey about to be released by the Profit Sharing Council of America, actively managed mutual funds are now the most popular investment option offered to participants in corporate profit-sharing pension plans.

The rise in popularity of mutual funds since 1989 has also nudged aside a traditional insurance-company product, the fixed-rate guaranteed investment contract or GIC.

While there seems to be no end to the structures a U.S. pension plan can adopt, there are two particular designs which are growing in popularity: The defined-contribution plan and the IRA. Analysts say that mutual-fund companies enjoy a marketing advantage where both of these products are concerned.

Some pension planners add that the booming demand for mutual funds — both by corporations setting up defined-contribution plans and by individuals saving for retirement — is due to the overall good performance of mutual funds over the past 15 years.

"In the past, a company would typically buy a fixed-rate insurance company product like an annuity or GIC for its plan," said Kerry LeCone, a senior vice president at the U.S. pension consultant LCG Associates. "But the rise in stocks has convinced them that they can earn excess return in equity funds. The companies we do business with don't use insurance companies at all because their services are just viewed as an extra layer of expense."

Fred Hunt, president of the Washington, D.C.-based Society of Professional Benefit Administrators, added: "It looks like Social Security may not be there for the baby boomers when they retire. People who might have been very conservative with their retirement savings in the past are now considering the equity markets because the common wisdom is that they offer higher long-term returns."

Of course, there's nothing preventing an insurance company from offering equity mutual funds. Many, in fact, have used variable annuity products to offer a selection of their own in-house funds.

Few analysts, however, expect the \$175 billion business for variable annuities to grow at the same pace as retirement assets invested directly in mutual fund shares.

"The mutual fund companies really set the rules by providing toll-free telephone numbers and daily valuation to participants in 401k plans," said Scott Harrison, chairman of the National Institute of Pension Administrators. "They also provide administration for the large plans, whereas the insurance companies are trying to contract out administration because they know they can't do it efficiently."

In a so-called 401k plan, employees typically put up to 10 percent of their gross salaries into a company fund invested in stocks, bonds and money markets, with income taxes deferred on the amount of the contribution.

In the latest grasp for the

booming retirement savings market, discount brokerage Charles Schwab & Co. last spring began offering its entire selection of 300 "One-Source" funds from various companies to corporations setting up 401k plans. Marketing and administration of the plan is handled by a variety of accounting firms acting in partnership with Schwab.

"By selecting from a marketplace of funds, you can easily switch between funds and fund families if you're disappointed with the performance," said Bob Starkey, a partner at the auditing firm Deloitte & Touche. "Once you've signed the annuity contract for an insurance plan, you're in the contract."

BRIEF CASE

Regent Raises \$20 Million For Russian Equity Fund

Apparently, the MMM debacle hasn't spured everybody on investing in the former Soviet Union. Regent Fund Management has raised \$20 million for its new White Tiger Investment Co., which will invest in equity growth opportunities in Russia. A total of two million shares have been bought, chiefly by American and European investors.

Regent says that the fund will focus on "undervalued, asset-rich" companies in the oil, gas, utilities, telecommunications, property and shipping sectors, and is boldly forecasting that share prices in Russia will rise by 400 percent over the next three years.

Regent Fund Management is part of the Hong Kong-based Regent Pacific Group Ltd., which manages about \$2.2 billion in a variety of funds. For further information, call Regent Pacific in London on (44.71) 332.0360.

In announcing that the fund was over-subscribed, Sophie Shaw, a director of Regent, said that "investors are recognizing that Russian shares are undervalued."

Accelerated Death Benefits Gaining Popularity in U.S.

A survey released earlier this month by the American Council of Life Insurance and LIMRA International, a trade association of U.S. life-insurance companies, showed that at least 18 million Americans now own life insurance policies that contain an accelerated death benefit.

Accelerated death benefits, also known as "living benefits," are provisions that enable insurers, under certain circumstances, to pay all or part of the death benefit to policy holders before they die. The purpose of the option, which was introduced in the United States in the 1980s, is to help the insured pay for the costs of catastrophic illness, long-term hospital care and nursing-home confinement.

New Regulation Roils British Pension Industry

By Rupert Bruce

IN THE BAD old days, British pension salesmen often gave the impression that they sold their wares out of the goodness of their hearts. Little mention was made of the commissions they received. But times changed and the law required some salesmen to reveal their rewards.

Now, things are changing again. A new law effective at the beginning of 1995 will require all salesmen to tell investors exactly how much money actually ends up being invested in their pensions and how much gets eaten up in charges and commissions.

Much of the British life insurance and pension industry is up in arms, fearing that the commissions, which it deems reasonable and competitive with other types of pension products, will be perceived as excessive by the public, costing the industry business.

Indeed, the industry has been fighting just such a law for years. But the British government, startled by a series of pension scandals and galvanized by a need to encourage

savings through personal pensions, has acted.

The industry has responded with tales of woe. David Prosser, chief executive of Legal & General, one of the largest life and pension companies listed on the London Stock Exchange, accompanied his recent results statement with the gloomy prediction that the new regime would force some of the 100 to 150 life and pension companies into merging with their larger brethren.

And Mr. Prosser is not alone in his sentiments. Most of the industry has gone into a funk as it has mulled over the effect of the legislation on its profit margins.

The new regime will be phased in over the course of 1995. It is quite complex, but the most severe part concerns the disclosure of charges. So far, it only applies to the sale of life insurance and pensions, but British investment regulators are drawing up proposals that could apply similar rules to investment funds.

Scottish Widows, a large life and pension company based in Edinburgh, says it can illustrate just how harmful this regime could be for the industry. The

following is an example of what Scottish Widows says it would have to tell a 29-year-old man who is earning £50,000 a year (£78,500), who plans to retire at 65, and who wants to buy a personal pension.

Say the man in question makes an initial payment of £2,000 a year, gradually increasing the annual contribution until, in the 34th year, he contributes about £14,000. Over 35 years he pays a total of £230,560 into the pension. But £49,400 of that goes in charges.

Assuming a 9 percent annual growth rate in the underlying portfolio, the charges would reduce the size of the fund at retirement by £196,000. On the other hand, the fund would still be worth about £740,000.

David Graham, head of marketing at Scottish Widows, is keen to explain that setting out the charges in cash terms makes them look worse than they are. In this example, he says, the charges only reduce the annual return from 9 percent to 7.9 percent. In other words, there is an annual charge of 1.1 percent.

This, he adds, is less than the 2 percent typically charged by British banks on their accounts, and the 1.25 percent charged by many British investment funds.

Mr. Graham believes the new regime may trigger a trend toward people buying savings products that require just one investment rather than those involving a series of regular premiums. The so-called "single premium" products, he said, will appear cheaper.

Some life insurance and pension companies are enthusiastic about the new regime, however, saying that the new disclosure rules will show the public that their charges are low compared with those of competitors.

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SPORTS

NFL Salary Cap Doesn't Pinch, and Doesn't Hurt

The Associated Press

WASHINGTON — The Washington Redskins lead the National Football League with a payroll of \$46,997 million, including pro-rated bonuses and player benefits, according to figures released by the NFL Players Association.

The numbers also show that 18 of the 28 teams are over the \$34.6 million salary cap when pro-rated bonuses are included. Ironically, the 10 teams under that figure include the two-time Super Bowl champion Dallas Cowboys and two of the NFL's four 3-0 teams, the Miami Dolphins and New York Giants.

"This proves that teams can spend the money and they are spending the money," the NFLPA spokesman said. "If they want to sign a player, they can find a way. There's money in the system for every player."

Under the bargaining agreement rules, teams may pro-rate a signing bonus over the life of a contract so it doesn't count against the salary cap in one year, even if they pay the money during the first year.

For example, rookie quarterback Heath Shuler's eight-year, \$19.25 million contract with the Redskins includes a \$5 million signing bonus. But only his \$945,000 base salary plus the \$625,000 prorated portion of the signing bonus — a total of \$1.57 million — count against the salary cap this year.

In the same way, San Francisco has been able to sign such

NFL MATCHUPS

players as Rickey Jackson and Deion Sanders and stay under the cap by including most of their payments in incentives or pro-rated bonuses. The incentives, if they're not likely to be earned this year, don't count against this year's cap.

This week's games:
Miami (3-0) at Minnesota (2-1); Vikings' ferocious defense puts heat on the passer and shuts down the rushing attack; Dan Marino has one of the quickest releases in football and can beat most pass rushes. Vikings' defense has not allowed a quarterback to throw for 300 yards in 39 straight games; Ma-

rio's nine touchdown passes leads NFL. The edge: Viking quarterback Warren Moon against Miami's banged up secondary. Odds makers favor Vikings by 3 points.

Atlanta (1-2) at Washington (1-2); Redskins' Andre Rison has caught 23 touchdown passes in the last 22 games, while Brian Mitchell leads NFL with 19 yards per punt return. But Falcons, abused by last week, can be expected to blitz quarterback John Friesz quite often. Game rated even.

Cleveland (2-1) at Indianapolis (1-2); Colts have Marshall Faulk, who leads the AFC in rushing with 308 yards on 56 carries, but Browns are surprisingly solid on defense. It has held opponents to 30.4 percent on third-down conversions. Browns favored by 1 point.

L.A. Rams (1-2) at Kansas City (3-0); Rams' Willie Anderson leads NFL with an average 33 yards per catch, while Chiefs' plus-10 turnover ratio also leads NFL. They have never gone 4-0, until now. Chiefs by 15.

Tampa Bay (1-2) at Green Bay (1-2); Packers are only team in NFL that hasn't thrown an interception. Packers' Brett Favre has thrown four, with three touchdown passes. More importantly, three Packer offensive linemen are out with injuries and Edgar Bennett, the leading rusher and receiver, might be out with a separated shoulder. Packers by 8.

Cincinnati (0-3) at Houston (0-3); Bengals are only team in NFL that doesn't have a sack. Oilers' offensive line has given up 14. The only sure thing: Someone is going to win their first game. Oilers by 9.

New England (1-2) at Detroit (2-1); Patriots lead league in scoring with 101 points. But Barry Sanders set Detroit club record with 40 carries (194 yards) against Dallas last week, and New England's defense still has problems stopping the big play. Lions by 3 1/2.

New Orleans (1-2) at San Francisco (2-1); Saints' quarterback Jim Everett has pulled

groin muscle that could hamper his mobility. 49ers' Steve Young must be wary of New Orleans' pass rush — linebacker Darion Conner has four sacks — but little else. 49ers by 14.

Pittsburgh (2-1) at Seattle (2-1); Seahawks' plus-6 turnover ratio is No. 2 in NFL. Rod Woodson's 27.6 yard per kick-off return for Steelers is third in AFC, and running back Barry Foster seems to be back in stride. Seahawks by 1.

San Diego (3-0) at L.A. Raiders (1-2); Raiders blew out Denver last week, but Charges

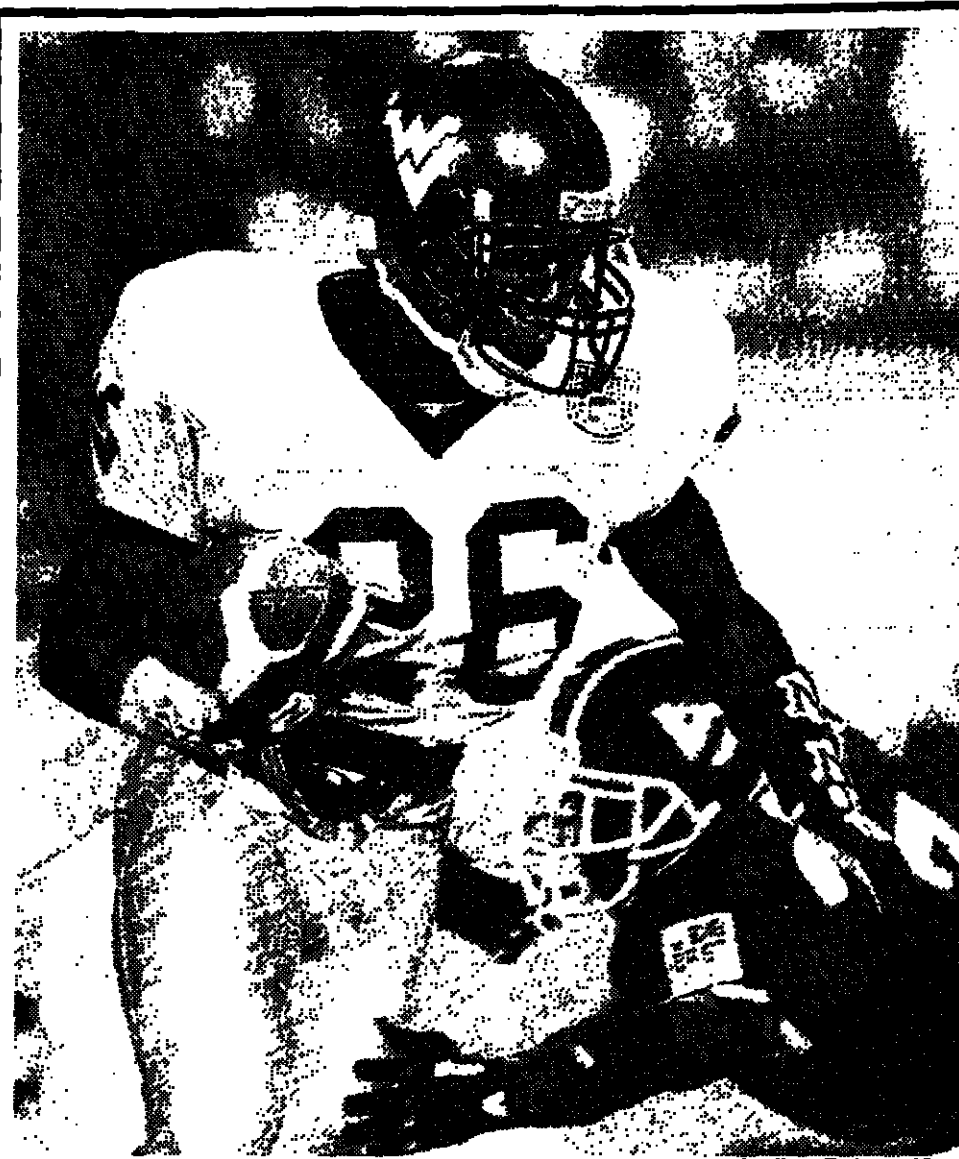
have the edge: Jeff Gossett's 47.5 yards per punt leads NFL. Defense has 12 sacks, leading AFC. Quarterback Stan Humphries hasn't thrown interception in last 140 passes and San Diego has won last three in L.A. Coliseum. Raiders by 4.

N.Y. Jets (2-1) at Chicago (1-2); Bears have committed just three turnovers, third best in NFL. Jets' offensive line has given up just two sacks, and defensive tackle Tony Casillas joined team this week; he should help a lot in stopping the run. Jets by 7.

Denver (0-3) at Buffalo (2-1); Broncos have allowed league-high 110 points, while Bills' Andre Reed is second in AFC in receiving with 308 yards. And, there's no place worse than Buffalo on a Monday night. But, Bills have a shuffled offensive line and beat Houston last week on five field goals. Bills by 8.

Open date: Arizona, Dallas, New York Giants, Philadelphia.

The matchups were compiled by Timothy W. Smith of The New York Times.



SOUTHERN HOSPITALITY — West Virginia split end Raheem Vanterpool eluded cornerback William Varborough's grasp, but No. 14-ranked Virginia Tech (4-0) rolled to a 34-6 victory at home when the defense got eight sacks, intercepted two passes and dropped the Mountaineers' ball carriers for losses eight times.

The U.S. Labor Games

Baseball Strike Oct. 1 Deadline Angers Congress Threatens NHL

WASHINGTON — Major league baseball's longstanding exemption from federal antitrust laws apparently is in greater danger than ever before of being repealed or limited by Congress.

Both during and after an often-combative House subcommittee hearing Thursday, lawmakers pledged to increase their efforts to pass a bill to at least limit baseball's antitrust exemption, but conceded that such legislation is not likely to be enacted before early next year.

Representative Jack Brooks, the Democrat of Texas who is chairman of the House Judiciary Committee, said that, for the first time, he will support the movement to repeal the antitrust exemption established by the Supreme Court in 1922.

The union chief, Donald Fehr, told the subcommittee on economics and commercial law that the players would end their strike if such legislation was passed.

Bud Selig, the acting commissioner, making his fourth appearance before a congressional committee or subcommittee, played down the significance of Brooks' announcement. "I really believe this will not be settled in the halls of Congress," he said.

NEW YORK — Another U.S. sports labor confrontation has turned threatening, with the National Hockey League Commissioner Gary Bettman saying the start of that season will be postponed unless the teams and the players settle on a new collective bargaining agreement.

Starting the season as scheduled on Oct. 1 without a new contract would put the "season at risk," Bettman said Thursday, because management would be vulnerable to a strike during the season, similar to what happened in baseball.

With the rust of the major league season canceled because of a strike, hockey has an unusual window of opportunity for exposure next month, a situation acknowledged by both Bettman and by Bob Goodenow, the executive director of the NHL Players Association. Goodenow said Thursday's threat was "strictly a pressure play, not unexpected" that "will not move the players on key issues."

The two sides are scheduled to meet Monday in Toronto, five days before the seasons opens. Bettman said coming to an agreement "will be difficult," but "won't be impossible." Goodenow said, "I wouldn't disagree with that."

NBA and Its Players Back in Court

NEW YORK — The legal power struggle between the National Basketball Association and the players' union moved into a federal appeals court, where the union sought to reverse a lower court ruling that found that the salary cap, college draft and right of first refusal signing system do not violate antitrust law.

The union contends that after the collective bargaining agreement with the league expired June 24, the three disputed policies fell out of the jurisdiction of federal labor law and became provisions restricting the free-market opportunities of players from the day they are drafted to when they retire.

The league disagrees. "This is a dispute over terms and conditions of employment that is governed by federal labor laws," Jeffrey Mishkin, a league lawyer, told a three-judge panel of the 2d U.S. Circuit Court of Appeals on Thursday.

"Antitrust law should not be used to subvert federal labor law." In July, the union failed to persuade U.S. District Court Judge Kevin T. Duffy that the expiration of the agreement extinguished its collective bargaining relationship with the NBA. Duffy ruled that the league is protected from the antitrust laws by a nonstatutory labor exemption.

SIDELINES

Singh Shoots 63, Leads by 3 in Golf

SAINT-NOM-LA-BRETECHE, France (AP) — Vijay Singh swept to a three-stroke lead Friday in the second round of the Lancome Trophy golf tournament when he shot 7-under-par 63 over the 6,164-meter (6,741-yard) Saint-Nom course.

Six successive birdies starting at the eighth hole, then a seventh birdie at the 16th and a 5.5-meter (17-foot) putt that saved par at the 18th kept him three strokes ahead of Miguel Angel Jimenez, who shot 64.

Ian Woosnam opened up with three successive birdies and finished at 65-133 and was third.

Severiano Ballesteros, tied with Singh after one round, carded 69 to claim fourth place at 134.

FINA: All Tests Negative in Rome

LAUSANNE, Switzerland — Despite considerable speculation that some Chinese women swimmers have been aided by performance-enhancing drugs, FINA, the sport's governing body, announced Friday that all 169 tests at this month's world championships were negative.

Chinese swimmers won 12 of the 16 events for women and set five world records in Rome.

In its statement, FINA said all winners and world record breakers in Rome were tested. So were medalists in the diving, water polo and synchronized swimming competitions.

Flyers Trade Soderstrom to Islanders

UNIONDALE, New York (AP) — The Philadelphia Flyers have traded 25-year-old Swedish goalie Tommy Soderstrom to the New York Islanders for a draft choice and Ron Hextall, a former Flyer goalie who was ineffective in last season's NHL playoffs.

Dominik Hasek, the 29-year-old Czech who won the Vezina Trophy as the league's top goalie last season, said he would be satisfied as the NHL's third highest-paid goaltender; he walked out of the Buffalo Sabres' training camp this week after turning down a three-year, \$6 million offer.

Welsh Lose Quinell to Rugby Union

WIGAN, England (AP) — Welsh No. 8 forward Scott Quinell became the latest big-name rugby union player to switch to rugby league Friday when he signed for Wigan in a four-year deal worth \$600,000.

It was widely expected that the 22-year-old Welshman, whose father, Derek, also was a top rugby union player, would wait until after next year's World Cup in South Africa before making his decision.

SCOREBOARD

Japanese Leagues

Central League	W	L	T	Pct.	GB
Yomiuri	44	27	3	.527	—
Hiroshima	43	29	0	.534	1 1/2
Chunichi	43	29	0	.516	2 1/2
Hanjin	40	34	0	.464	6 1/2
Yokohama	39	34	0	.480	7
Yokohama	35	40	0	.406	9 1/2

Pacific League

Central League	W	L	T	Pct.	GB
Saito	28	28	2	.500	—
Kintetsu	45	25	2	.542	6
Daiichi	44	26	1	.541	6
Orix	45	27	2	.531	7
Lotte	39	38	1	.450	20
Nippon Ham	43	35	4	.554	27

Friday's Results

Central League	W	L	T	Pct.	GB
Yokohama	1	Yomiuri	0		
Chunichi	1	Hiroshima	0		
Yokohama	1	Hanjin	0		

NHL Preseason

Thursday's Games	Score
Detroit 2, Toronto 2	
Quebec 2, Philadelphia 1	
New York Islanders 4, Florida 0	
Chicago 5, Los Angeles 1	
Vancouver 7, Pittsburgh 6	
San Jose 3, New York Rangers 0	

Soccer

ITALIAN CUP

Second round, second leg (Rome was 3-1 on aggregate)

French First Division	Score
Montpellier 2, Monaco 2	
Stendinger: Nantes 2, Lyon 2, Lens 1	
Canal 14, Saint-Etienne 15, Strasbourg 15	
Nantes 15, Bordeaux 14, Paris 11, Germinal 14	
Auxerre 12, Rennes 12, Nice 12, Sedan 11	
Schocher 10, Monaco 9, Le Havre 8, Lille 8	
Montpellier 7, Metz 6, Coln 1	

Baseball

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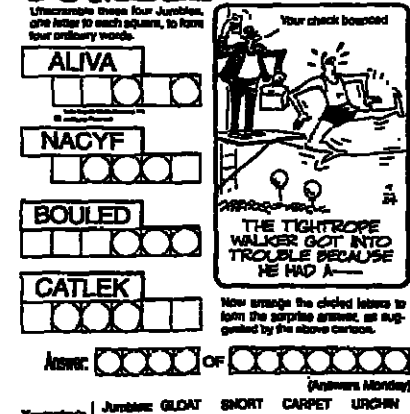
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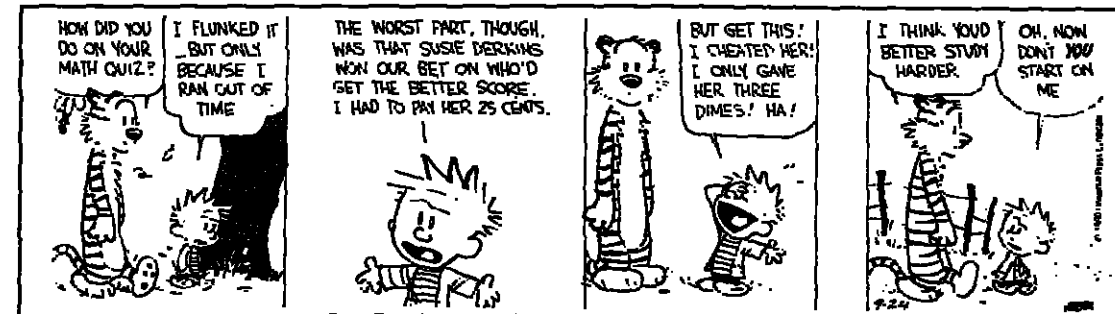
BEETLE BAILEY



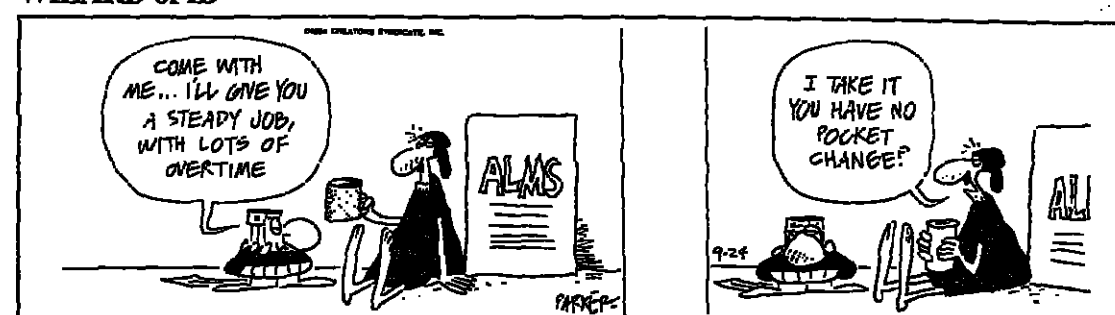
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THE FAR SIDE



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